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MANPOWER ECONOMICS
AND
LABOR PROBLEMS

MANPOWER ECONOMICS AND LABOR PROBLEMS

BY

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MANPOWER ECONOMICS AND LABOR PROBLEMS

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To

M. F. Y. AND L. M. Y.

PREFACE

This preface is intentionally short. Prefaces to earlier editions have been eliminated, as the author is convinced that prefaces and forewords have few readers. Nevertheless, some may examine this preface for a suggestion as to the content and point of view of the book. For their convenience, this preface should explain that throughout the pages that follow manpower is viewed primarily as a resource—the most versatile, valuable, and complicated resource of modern societies. As with other resources, society has secured wide acceptance of distinctive goals to be sought in the development, utilization, and conservation of manpower. We hope and expect to achieve these goals for the most part through, or in connection with, employment. Labor problems represent situations in which our failure to achieve one or another of these goals is widely recognized.

Throughout the book, care has been taken to provide footnote acknowledgments for contributions whenever their sources could be determined. The progress of manpower economics toward increased understanding of the processes it describes may be traced by reference to these contributions. A major purpose of a satisfactory text in the field, in the opinion of this author, is the cumulation and systematic organization of these contributions. They provide the facts and hypotheses upon which understanding must be based.

No lists of collateral or supplementary readings are attached to the various chapters. Footnotes relate the references that would be included in such lists to specific subjects within the chapters. Exercises and questions have been somewhat expanded, largely because of suggestions from those who used earlier editions.

Special mention should be made of those who have been most helpful in developing the point of view expressed in this volume. The author wishes to express deep appreciation for the numerous discussions and meetings of the staff of the University of Minnesota Industrial Relations Center in which some of the ideas expressed in later pages were suggested. Particular mention should be made of the continuing counsel provided by Professors D. G. Paterson, H. G. Heneman, Jr., Frank Childs, and C. Harold Stone. Roberta Nelson and Nora Eastman were always generous in their aid with reference materials. Barbara F. Will assumed responsibility for the manuscript with the assistance of Ruth Soar and others.

DALE YODER

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CHAPTER 1

Manpower Goals and Problems

1.0 Terminology

Manpower economics, like other divisions of the social science field, uses many terms to which it attaches special meanings—terms not used with the same connotation elsewhere—which thus create a distinctive universe of discourse or "jargon." Any study of labor problems and labor economics inevitably deals, for example, with labor markets, labor forces, labor demands and supplies, labor contracts, swing shifts, shift differentials, seniority and superseniority, closed shops, preferential hiring, maintenance of membership, escape clauses, snowballing, escalator clauses, straight time, unit labor costs, average and marginal costs and productivity, manpower utilization, union-management cooperation, monopoly, monopsony, "suitable employment," and a host of other concepts of which these are fairly random samples. For the most part these terms can best be explained in connection with the problems and processes to which they apply. A few of them, however, may well be described at the outset, as a preliminary to the consideration of the various problems and processes to be discussed in subsequent chapters.

This book is described as *Manpower Economics* because it is concerned with the human resources of modern society—its manpower—and because major attention is directed to economic considerations affecting manpower in modern societies. The title also includes mention of *Labor Problems*—not because they are different from what might be called manpower problems but because common usage has established that terminology for such social problems as unemployment, low wages, long working hours, and many others that grow out of the employment of manpower.

Similar usage has given some currency to the term "labor economics" to denote the study of economic processes involving the employment of human resources. Why, then, introduce the term "manpower"—why not discuss *labor economics* instead of *manpower economics*?

The answer is, first, that there are distinct advantages in using "manpower" rather than "labor," and that both "manpower economics" and "manpower problems" may be preferable to "labor economics" and "labor problems." The first and most important advantage grows out of the fact that the term "labor" is a source of great confusion, because it is used with so many meanings.

In strict economic terminology, "labor" is all manpower that is employed; it is a factor in production, the service of human beings. The entrepreneur combines land, labor, and capital. But no such inclusive usage is at all uniform in popular discussions of "labor." Rather, the term is popularly applied to a variety of segments of total manpower resources. As a result, its meaning is frequently obscure and confusing. Thus, for example, the term "labor," when used as an adjective to refer to the labor movement or the labor press, refers only to organized labor, that part of total manpower resources that belongs to unions. Again, in discussions of management-employee relations, "labor" refers to non-supervisory employees who are generally described as "hourly rated," as distinguished from most foremen and managerial employees who are described as "salaried." Further, labor is frequently differentiated from white-collar employees and refers only to those who perform manual tasks. "Labor," as the term is generally used, may also exclude the mass of governmental employees, Federal, state, and local. Finally, "labor" refers both to the services of manpower and to the manpower that provides these services, a source of further confusion.

"Manpower," on the other hand, is a term that avoids most of these conflicting interpretations. It includes the human resources, all of them, and thus corresponds closely to the economic definition of "labor." It includes organized and unorganized employees, supervisors, executives, and governmental employees. It refers to both those employed and those who might be employed. Its meaning is much clearer and has been unscarred by extensive popular use.

There are other reasons for preferring the term "manpower economics." In some circles, "labor economics" carries the connotation of "economics for labor" or "economics from the viewpoint of labor." No such conception is involved in the term "manpower economics." In part because of its wartime usage, the term "manpower" not only represents the sum total of human resources; it carries with it little in the way of any emotional tinge or bias.

A further and related change in usage that is followed throughout this volume also deserves mention. It involves the terms "worker" and "workers." Here again usage is confusing. "Workers" may mean only rank-and-file employees performing manual labor. Or it may include white-collar employees, excluding supervisors and executives. Generally, all self-employed are regarded as "nonworkers." Sometimes, on the other hand, the term refers to all those who are employed.

Here, the term "workers" is reserved, so far as possible, to refer to situations in which it is combined with some modifier, as manual workers, personnel workers, unskilled workers, etc. When those who are employed are to be designated, they are called "employees," without regard to rank.

Several other special meanings of such terms as "labor problems," "industrial relations," "labor markets," and others are noted in later sections of this chapter.

2.0 Nature of Manpower

A major purpose of this book is development of the notion that manpower is a principal resource of modern society, and that the efficient utilization and conservation of human resources deserve at least as careful, critical, and objective consideration as do the utilization and conservation of physical resources. That is a beginning principle—that manpower is a major resource of modern society. Manpower is somewhat comparable to such natural resources as timber, petroleum, iron ore, or coal. It is even more closely comparable to water-power resources, or atomic-power resources, because human resources are power resources.

Just as modern societies are continually concerned about what use is made of such natural resources as petroleum, lumber, or iron ore, and what steps are taken to conserve and protect these resources, so we must be concerned with the uses made of human resources and the steps taken to conserve and protect our manpower. Like other resources, manpower is distinctly limited. Moreover, while there are acceptable substitutes for many other resources, substitutions designed to reduce the need for manpower generally take rather long periods of time. They cannot be planned and arranged quickly. Like supplies of manpower, they may require many years for development.

2.1 *Manpower Not a Commodity.* Adoption of such a preliminary premise as has been described does not mean that this point of view regards manpower as a commodity, a highly valuable but expendable property of society. Nor does it imply that the goals of modern societies contemplate *only* the efficient utilization and conservation of manpower resources.

On the contrary, any study of manpower economics must recognize as an equally important premise that regard for manpower as a resource must be paralleled by regard for the human beings that are manpower as citizens, as individual human beings, as members of society. Moreover, their participation in society as citizens and their development as well-rounded human personalities must be recognized as major objectives. These viewpoints toward manpower are distinctly complementary; each contributes to the other. These premises offer a key to the nature of both manpower economics and labor problems.

Recognition of the "resource" aspect of manpower helps to understand many current labor problems. Understanding of the "human nature" aspect of manpower unlocks the door to many others. The combination

is essential to an understanding of modern manpower economics and labor problems.

2.2 *Adaptability of Manpower.* Ample evidence attests the fact that manpower is subject to a wide range of applications. It can adapt itself to extremes of heat and cold, can learn a vast variety of operations and techniques, can be fitted to various processes. Moreover, it may be shifted about from one task to another, becoming adapted to such changes very quickly. That characteristic was strikingly demonstrated during World War II, when approximately one-third of the nation's manpower changed occupations.

2.3 *Complexity of Manpower.* At the same time that manpower is clearly a most valuable and the most versatile resource, it is also the most complicated. Human personalities are far more complex than any material resource, regardless of its chemical composition or its physical characteristics. Hence the control of manpower resources—their conservation and efficient utilization—combined with objectives seeking personality expression and development—presents problems that are more complicated than those arising in the application and conservation of any other resource. This consideration is particularly significant in a democratic society bound by tradition and philosophy to preserve a maximum of individual freedom, political participation, and personal and social growth.

Out of this complexity arise many of the situations we describe as labor problems, to be described in greater detail in subsequent sections of this book.

2.4 *Perishable Nature of Manpower.* Among other distinctive characteristics of manpower resources, their perishable nature deserves special mention. From an economic viewpoint, there is particular significance in the fact that difficulty is encountered in seeking to store up or "stockpile" manpower resources.

With most natural resources, stockpiling or conservation is not difficult. In many cases, it is only necessary to restrict usage so that the resource may be allowed to remain in its natural form. The lumber that is not used today will, for the most part, be available for use at any time in the near future. Oil, coal, and valuable ores illustrate the same possibility of conservation.

With water power or that of the wind, the situation is somewhat different. In these cases, some storage is possible—in reservoirs, storage batteries, and by other similar means. In so far as water may be retained in reservoirs, in its original form, the process is at least similar to that by which mineral or other physical resources are conserved. Although there are distinct and obvious limits to this procedure, the storage or stockpiling of manpower is even more difficult. For while some storage of the products of labor is entirely possible, the labor or service itself

must be utilized, day by day, as it becomes available. Each hour of labor that is lost is irretrievably gone. Unemployment, if manpower is available for and able to work, is, therefore, a form of economic waste. It is energy gone, dissipated, destroyed, with no net addition to our stock of goods and services.

This distinctive quality of manpower resources is largely responsible for many current social problems. It is one of the reasons unemployment is such a serious matter---to society as well as to those who are unemployed. The perishable character of manpower is inherent in many discussions of wages and wage rates, for employees must think of their needs and expenses as continuing even when their services are being dissipated by idleness. This quality, more than any other, probably explains union determination to insist that labor is not a commodity, a point of view that has been written into the law of the United States in the Federal Clayton Act of 1914.

3.0 Manpower Goals or Objectives

Frequent reference has been made in preceding paragraphs to manpower development, utilization, and conservation. These are rather crude terms, but they serve to suggest what modern societies *want* to do with manpower. They describe, in broad generalizations, the major objectives or goals established by modern societies with respect to their human resources. They indicate the social interest in the employment of manpower, the social or societal thinking with respect to what it should do or what should be done with it in the jobs men accept and fill. All might be called "employment goals" or "industrial relations goals" as well as manpower goals.

Many of these goals are not economic. Rather, they involve a complex combination and balancing of economic and other values. Some of them emphasize economic gains to be sought, whereas others propose to sacrifice economic considerations to attain other values that are regarded as more important. The result is a complex maze of objectives, not necessarily consistent with each other. Some of the most important of these manpower goals may well be noted at this point.

3.1 *Identification of Goals.* First, however, some of the more important characteristics of these goals or objectives may be noted. Where do they come from? What form do they take? How may one know what are the goals of modern societies? Are such goals persistent and permanent, or do they shift and change?

Goals are hammered out in the inclusive processes that develop public opinion. They represent social decisions. Once determined, they tend to become part of the tradition of the group and to be transmitted from generation to generation in that tradition.

Some of these decisions are made by legislatures and become public

laws. Thus, for example, school attendance laws indicate that our society does not want children leaving school to enter employment at whatever age they or their parents may choose. Other laws specify certain conditions that must be present if women are to be employed in designated industries; whereas still others require the payment of minimum wages for services, or designate hours within which women or children may be employed, or establish benefits to be paid to those who cannot find employment or to those who are injured on the job. The so-called "Full Employment" law of 1946 suggests the desirability of jobs for all who want to work. The National Labor Relations Act describes a goal of freedom to join a union of one's choice and of collective bargaining. All such laws have clear implications with respect to objectives in the employment of manpower. The Constitution of the United States includes an amendment dealing with involuntary servitude or slavery that thus describes a most important goal of our society. Other goals are evidenced by legislation that redistributes income and inheritances, or that provides aid to the needy and unemployed or assures support to the aged and dependent.

Legislation is the most explicit and obvious evidence of such goals. But other objectives may have wide acceptance although they have not been formally adopted and made a part of legislation. Many goals are described less formally in customs and conventions. Some of the most important manpower goals are of this type. Thus, for example, no law defines the social objective of increasing family incomes and living scales, although that objective has wide acceptance. No legislation decrees that wages shall be continually increased, that health shall be constantly improved. No law specifically requires long-term industrial peace, yet that too is an obvious goal of our time.

Goals are constantly undergoing change and development. As goals are attained, they may cease to be goals. As points of view develop, new goals are defined. Many current goals were only vaguely conceived a hundred years ago. Earlier campaigns for a 60- or a 48-hour week illustrate the evolution of this objective. Free collective bargaining is a comparatively recent objective. Child labor was encouraged in the early years of this nation's history. This dynamic quality of goals in modern society has special significance in any study of labor problems, as will be noted shortly.[1]

3.2 *Personality Development.* Perhaps most obvious among major manpower goals is the intention that, through employment or in connec-

[1] At Ohio State University, the study of leadership has developed a "goal achievement index" to measure the extent to which various groups attain these objectives. See Carroll L. Shartle, "Effective Leadership in Democracy," mimeographed, Columbus, Ohio State University, Sept. 13, 1948.

tion with it, human personality shall be given a maximum opportunity for development. In more detail, this means that our society seeks to create, in the employment situation and the interpersonal relationships growing out of it, a fertile field in which personalities will develop and flower, and individuals will achieve their maximum in terms of basic human abilities and interests. The idea is one of maximizing the potentialities of each person, of maturing to the utmost their talents, skills, and social as well as individual capacities.

Evidence of this objective may be seen in society's emphasis upon formal education, both in legislation requiring school attendance and in the extensive provision of public schools and universities. To some extent, it appears as a restriction on employment, as in requirements that jobs shall not interfere with the schooling of younger persons. It is particularly notable in extensive provisions for continuation study by adults. Public support of apprenticeship training is illustrative of this interest, as are the public vocational rehabilitation programs, "workers' education" projects, and others. In many localities, public vocational training is a continuing program. In some, night school classes make available a wide range of studies from the "three R's" to art.

3.3 *Social and Political Participation.* At the same time, and closely related, is the goal of what may be called social and political participation. Modern societies seek to encourage citizens to take an active part in social and political affairs. In part, this objective is based on a realization that our political system is of a participative nature, that it can function effectively only if citizens recognize their obligation to take part in it. In part, the objective is based on recognition that man is a social being, that personality development requires active participation in group activities.

Of particular interest to students of labor problems are such evidences of this objective as legislation that discourages long hours of work, or that which further limits hours for women and children. Such legislation has been advanced in part to encourage full participation in normal home life. Other legislation has described a public policy favoring collective bargaining and declaring the right of employees to join unions of their own choice. A constitutional amendment prohibits slavery.

Numerous local recreational programs seek to enlist citizens of all ages in a variety of clubs and associations. Although no law specifically declares a public policy of promoting such activities, it is apparent that a major goal of our society, and one that must be constantly recognized in any appraisal of current manpower problems, seeks to develop the social as well as the individual skills of our citizens, to encourage group leadership through participation.

3.4 *Efficient Conservation and Utilization.* Paralleling and overlapping these goals of personality development and participation, modern societies seek the efficient utilization of their manpower resources and their continued conservation. They propose that manpower shall be employed where and when it can make the greatest contribution, can be most productive. They object to employment that only partially uses the skills of employees, or that otherwise reduces their potential productivity. Inefficient employment of manpower resources represents a failure to attain this goal.

At the same time, the social objective contemplates the conservation of manpower resources. The term "conservation," like "utilization," is more frequently applied to resources other than manpower. But the meaning is similar. It implies that manpower is to be utilized sparingly, that it is not to be used up "too fast," that it is to be protected, that it is not to be wasted.

Many evidences of the general acceptance of these objectives might be cited. Public employment services, supported from Federal and state funds, seek to allocate manpower to points where its highest talents can be employed. Adult education programs aid individual employees to develop their talents and skills. The wage system sets a higher price on increased skill and "know-how," thus discouraging its employment in situations where it is not required. During periods of lengthy unemployment, public works programs have been provided, in part to ensure that skills were not lost.

Interest in the conservation and protection of manpower is similarly evidenced. Factory inspection is enforced by law to ensure the general use of safety devices. Women and children are given special protection against working conditions that might reduce the effectiveness of future manpower resources. School attendance laws ensure that manpower shall not be prematurely applied.[1]

3.5 *Prevention of Waste.* The objective of efficient utilization and conservation may be better understood by reference to its negative aspects. The goal may be seen more clearly in situations in which it is not attained. In general, that negative side of manpower utilization and conservation, as with other resources, may be described as waste.

Many evidences of wasted manpower are readily observed. Such

[1] Current social goals may be viewed from several angles and with differing emphases. Professor F. H. Harbison, for example, describes three principal goals as predominating in the general interest, including: (1) enhancement of the dignity, worth, and freedom of the individual; (2) preservation and strengthening of our democratic form of government; and (3) economic progress. For an excellent discussion of these goals, see his "Value Premises in Labor Management Relations," in the Proceedings of a conference on Research in Labor Management Relations held at Princeton, N.J., Feb. 24 and 25, 1949 and distributed by the Social Science Research Council.

waste is so common that little attention is paid except to the unusual or extreme conditions that characterize a strike or a severe business recession. That is somewhat surprising, for most of us are rather keenly aware of other forms of waste. A running water faucet, steam escaping from a locomotive or heating system, a street light left on in daytime—all attract our attention and comment. But an idle man is taken for granted. Even less striking is the employment of manpower at less than its full potentialities.

Wasted manpower resources take many forms. Professor Wilbert Moore, in his excellent discussion of the social objective under consideration here, notes four major types of waste.[1] They are defined by the equation for productivity, which he states as

$$P = N \times S \times T \times R$$

where N is the number of employees, S is skill, T is time, and R is the rate of output. In the "ideal" arrangement, each of these factors is maximized; any reduction in any of them represents waste. Hence unemployment and "nonemployment" (a term Professor Moore applies to those whose employment is restricted because they are institutionalized or otherwise limited in their employment opportunities) represent sources of waste. So do the various conditions that reduce the time available for employment, including legal or contractual restrictions on hours, absenteeism, illness, injury, strikes, layoffs, reduced life expectancies, and related conditions. A number of circumstances may reduce the speed or rate of work, including limitations of supervision or organization, voluntary restrictions, and inadequate incentives. Finally, skill may not be fully employed, for several reasons. Each of these conditions represents wasted manpower and is a contradiction of the social goal under consideration.[2]

4.0 Labor Problems

Labor problems are reflections of the manpower goals of modern societies, especially of the major goals described in the preceding section. Labor problems represent situations in which these and other goals are not attained, or in which apparent difficulties impede progress toward

[1] Wilbert E. Moore, *Industrial Relations and the Social Order*, New York, The Macmillan Company, 1946, Chap. XII.

[2] Reference should perhaps be made, at this point, to the "exploitation" of resources. The term is not employed in this discussion of manpower resources, because it has come to have a special meaning, not precisely applicable to other resources. "Exploitation" of labor implies an unethical use, involving underpayment for services rendered. Thus, for example, E. H. Chamberlain defines labor exploitation as payment of a wage less than its marginal revenue product. (See his *The Theory of Monopolistic Competition*, Cambridge, Harvard University Press, 1938, p. 188.)

established goals. They are called "labor" or "manpower" problems because the goals involved represent social objectives for manpower.

Many of these problems represent failure to attain the full personality development described as a major manpower goal or to secure extensive participation in social and political activities. Such failure may result from the inadequacy of educational or vocational guidance facilities or placement services, or because prejudice limits employment opportunities for various minority groups. Manpower may be prevented from developing and expressing itself or participating in a wide range of social activities because of ignorance or prejudice, or because of political rules and regulations (*e.g.*, a poll tax). Inadequate housing or the burden of dependents may restrict the movement of manpower to points where facilities for self-development are available. Inadequacy of medical services may result in handicaps that limit participation. Immediate barriers to achievement of this goal may be numerous and varied.

A similar condition prevails with respect to the goal of efficient utilization and conservation. Situations that prevent the attainment of this objective are also regarded as labor problems.

Many such situations have been implied in the discussion of wasted manpower. Each of the types of waste described is a labor problem for modern society. Unemployment is one of the most obvious of such forms of waste. Strikes, absenteeism, industrial illness and disease, and industrial accidents are others. Underutilization of skills is another, as is poor planning and management. Barriers to employment of minority groups, premature employment of young people, and restriction of output are others. In each case, these situations are barriers or hurdles in the path of successful attainment of society's objectives. Hence they are labor problems.

Waste of manpower is more generally recognized as a labor problem than are some of the situations that restrict personality development and participation. In part, that is because citizens have been alerted to the hazards involved in wasting other resources. Most adult citizens know that timber may be cut at an improper age, or timber which should make lumber may be used as pulp, or too much may be shipped out of the country. Lower grades of iron ore or coal may be thrown away, because it is more profitable to do so or because no profitable methods of using these resources are presently known. In these and many other illustrations that might be cited, natural resources may be wasted or put to use in a manner that involves a lesser return to society than would be possible under some other arrangement. All modern societies have taken steps to prevent or limit such waste.

Almost precisely the same types of problems arise in connection with manpower resources. Manpower may be used too soon, before it is

ready to deliver a maximum of valued services to society. That is essentially the problem of child labor. It may be allowed to disintegrate; that is a part of the problem of unemployment. It may be underutilized; that happens when human resources could be more effectively disposed or allocated, when employees do not have an opportunity to develop or use their highest skills. Special problems arise out of the utilization and conservation of less talented manpower, so-called marginal employees, and of the handicapped.

Many labor problems involve hindrances in the way of several objectives. Most obvious, perhaps, are the problems of unemployment and low wages, which may limit personality development at the same time that they restrict mobility and prevent manpower from moving to positions in which it can be best applied. Long hours may limit social participation at the same time that they lower hourly productivity. Child labor tends to prevent attainment of each of the major goals described above.

4.1 *Popular Interest in Labor Problems.* Recent years have seen an increase in popular as well as scientific interest in both labor problems and manpower economics. Popular attention has been attracted to labor problems by a variety of circumstances, including especially the vast unemployment characteristic of the 1930 depression, the increased political recognition accorded organized labor since 1932, the enactment of a number of Federal and state laws that describe manpower objectives—of which the National Labor Relations Act, the Fair Labor Standards Act, and the Employment Act of 1946 are outstanding examples—the nationwide shortage of manpower during World War II, and the increasing complications in labor-management relations which characterized the war and immediate postwar period. A similar influence toward increasing public interest has arisen from the rapid growth in the membership of labor organizations, a growth which began during the "Blue Eagle" days of the National Recovery Administration in 1933 and which was accelerated after enactment of the National Labor Relations Act in 1935.

Experience in immediate postwar years accentuated public concern. With the public clamoring for products that had been in scarce supply during the war, strife and work stoppages assumed proportions beyond any experienced in the past. Proposals for new labor legislation designed to prevent such stoppages and ensure continued production were numerous. At the same time, there was a widespread fear that cessation of war must be followed by business recession and unemployment. Discussion of methods to attain "full employment" were frequent and demands for legislation were insistent.

In 1946, a law designed to provide essential indicators of any approaching recession and to establish the social goal of "full employment" was

enacted. In the following year, the Taft-Hartley Act, described by its sponsors as placing necessary curbs on unions and balancing their rights with those of employers, was passed. It was immediately denounced by representatives of labor organizations as a "slave labor" act. It was debated in every section of the nation and over every radio in the following months.

These are but a few of the high lights of events that kept the spotlight of public attention focused on labor problems throughout the 1940's. They are but the most spectacular evidences of labor problems. Less dramatic were the continuing reports of large numbers of families having inadequate incomes, the rising costs of living and successive "rounds" of wage increases, the report of the President's Commission on conditions of health throughout the nation, continuing agitation for fair employment practices legislation, and many related developments. All contributed to a growing realization that manpower problems deserve a high priority for careful consideration.

4.2 *Solutions for Labor Problems.* A labor problem, as the term has been defined here, is solved by attainment of the goal or goals involved or by changing these goals to conform to the existing situation. Changing existing situations, removing barriers in the way of goal attainment requires action—societal action. Hence the first step in achieving a solution is a proposal for such action. Thus, if underutilization of manpower results from the fact that many young people leave school too soon, then a campaign to enforce or strengthen compulsory school attendance laws may be the first step toward solution. If certain manpower is losing its skills because of lengthy unemployment, then made-work programs or special retraining courses may be inaugurated. If manpower is being wasted because of discrimination in hiring based on age of applicants, a campaign to discourage use of hiring age limits may be appropriate. In any case, the solution will presumably require social action, a concerted program on the part of all or a large section of society.

Any such action promises change, a modification in existing relationships, rights, privileges, and personal adjustments. It involves reform. It means that some, perhaps many, of our citizens will have to make readjustments, will have to change their ways. Established habits will have to be given up. Vested interests in things as they are will be disturbed. Such change is always difficult for and unpopular with those who lose some advantage by the newer arrangement. It is likely to be unpopular with others who find it easier and simpler to continue in established routines.

Another reason for opposition to many solutions advanced to eliminate particular problems is the fact that they may create new problems. Moreover, if proposed changes are not carefully considered and based

on a thorough understanding of the problem, they may create problems more serious than those they solve. Thus a made-work program, designed to conserve essential skills, may encourage shiftlessness, remove incentives to work, or prevent adjustments in wages that would effect widespread reemployment. A careful balancing of values is essential. Even more important is the planning of changes in a manner that will prevent undesirable results and new, more serious problems.

4.3 *Complications in Labor Problems.* Most labor problems are complex. No single, simple situation explains the problem; no simple social action will remove it and solve all difficulties. Numerous factors contribute to creation of the problem; numerous values must be appraised and balanced in any reasonable and appropriate proposal for its solution.

An illustration may make this point more realistic. The proposed solution in this case is supplementary aid provided from public funds, and the proposal received widespread consideration during the 1930 depression. Such aid was designed as a partial solution to the problem of low wages. In application, the supplementary aid was made available to employees in low-wage firms but not to those whose wages were regarded as adequate. In some cases, industries that paid adequate wages were forced to assist the employees of plants of their competitors where inadequate wages were paid. These low-rate plants were then able to cut prices and force the higher wage firms out of the market. On the other hand, if society takes the stand that any business that cannot pay an adequate wage should be discontinued, it may force many employees who are currently on supplementary relief onto full relief. Meanwhile, it is fairly clear that provision of supplementary aid is in effect subsidization and may, like any other subsidization, occasion an uneconomical distribution of labor among various industries and occupations. The problem of low or inadequate wages is thus highly complex rather than simple. Most current labor problems will be found to be similarly complicated.

Because most labor problems and proposed solutions involve such complications, they deserve careful study. Problems cannot be satisfactorily solved on an emotional basis. Solutions advanced on a purely "humanitarian" or "welfare" basis deserve critical scrutiny, in spite of the high motivation of their proponents. Demands for "action," unless such action is based on a penetrating analysis and thorough understanding, may be misleading and their outcome disheartening if not socially or economically disastrous.

4.4 *Dynamic Problems.* Labor problems are dynamic rather than static. They do not remain the same from year to year or generation to generation. In part, they change because goals change; in part, because the social and economic structure changes, modifying old problems and

creating new ones. As a result, problems that appear of most importance in one period may be largely ignored in another. Unemployment appeared as a matter of major concern all through the 1930's. It was largely ignored during the next decade. Child labor was regarded as desirable rather than as a problem in colonial times. Immigration was a prominent problem until after World War I. Legislation at that time largely eliminated the problem.

4.5 *The Labor Problem.* Reference to *the* labor problem is frequently encountered. No single labor problem deserves such designation. There are many labor problems. Their number, like their nature, is subject to continued change. Reference to a single problem as *the* problem is objectionable, in that it tends to obscure the reality of many problems, not all of equal rank or order or priority.

5.0 Manpower Economics

The field of labor economics or manpower economics has been suggested by the third major social goal outlined in preceding pages. It is primarily concerned with the efficient utilization and conservation of manpower resources. Manpower economics is thus comparable in position and point of view to land economics, or public utility economics, or the economics of mineral resources. It studies and seeks to understand the processes by which manpower is applied and utilized in modern society. It is concerned with the allocation, utilization, and conservation of manpower, just as land economics is concerned with the efficient application, utilization, and conservation of the natural resource in the soil.

Manpower economics is not distinctively different from other fields of economic analysis in its viewpoint or methodology. But its subject matter is limited—limited to the processes by which manpower is allocated to specified jobs, industries, and localities, by which it is applied or utilized, and by which it is conserved, *i.e.*, waste is minimized. These are the processes that are of special interest to the labor economist.

5.1 *Economic Principles.* The subject matter of the science of economics has been variously defined. Economics has been described as a comprehensive analysis of man's wealth-getting and wealth-consuming activities, as the study of "business in its broadest sense, to cover all lawful ways of making a living," and as "the social science which deals with the industrial activities of men," to quote only a few of the most common definitions. Economics studies the exchange of goods and services and man's efforts to create and consume them. The subject matter of economics appears as the whole of man's activities in which he engages in an effort to satisfy his material wants for various goods and services. Economics thus studies production (including manufacturing, mining, and agriculture), distribution (in which the means of want satisfaction

and the power to acquire these means are allocated to various individuals and groups), and consumption (the satisfaction of wants and the destruction of wealth which accompanies this satisfaction). Each of these major divisions of the field may, of course, be further subdivided into less extensive and more limited aspects of the general process of want satisfaction.

Economics studies and seeks to understand the processes by which resources are developed and combined to meet demands for products and services. Manpower resources, like physical resources, must be allocated and employed—*i.e.*, combined with materials and sources of power—to create goods and services and make them available when and where they are in demand. These processes of development and combination are numerous and complicated in modern societies. Their understanding and control are the objective of economics.

Economics is the science that describes the workings of these numerous processes. It analyzes all this activity and discovers, as far as it may, uniform sequences of behavior in it that are generally described as cause-and-effect relationships. It seeks "principles" or "laws" operating in these processes. The extent to which this objective can be attained in any social science may properly be questioned. Final, positive, universal laws may not be possible, because of the numbers of variables concerned and the changing nature of human interaction But generalizations of wide applicability and strong probability provide a basis for at least partial understanding. Such generalizations represent the objectives of social science.

Dr. G. R. Davies has clearly described these principles and both their tentative and approximate nature and their usefulness. He says:[1]

> It may be said, to begin with, that science deals with averages and trends rather than with individual cases. An economic law is merely a statement of what is generally true under given conditions, but by no means of what is true in each particular case. For instance, a life table such as insurance companies employ indicates how long a given individual may expect to live But while life expectancy thus stated is true of very few individuals, it is true enough of the average so that it can be made the basis of an important profession Similarly wage rates may be cited which are true of few individuals but are important to the capitalist seeking a location for a factory. In other words, an economic law applied to any individual case has a large standard error. It is of course now known that the so-called laws of Nature are likewise subject to standard errors, though in most cases these errors are very small indeed.

Manpower economics seeks to discover such principles operating in the processes by which manpower is employed.

[1] G. R. Davies, *Research in Economic Science*, Iowa City, College of Commerce, University of Iowa, 1945.

5.2 *Economic Problems.* Some confusion is generated, in this connection, by reference, on the one hand, to the problems of manpower or labor economics and, on the other, to labor problems. They are distinctly different. Problems of manpower economics are scientific as distinguished from social problems. The objective of manpower economics is understanding, the discovery and description of relationships or principles. Solutions for economic problems are statements of laws or probabilities. Problems are questions about possible relationships: how do wage rates affect mobility of manpower? Do rapid technological changes result in elastic demands for labor? Do unions increase wages or earnings? Does unemployment compensation reduce employment? All these questions are obviously oversimplified to illustrate the nature of such questions. In practice, they require qualifications of the how, when, and where variety.

The problems of labor economics are thus of a quite different order from those of labor problems. Their solutions are equally different in nature. Solutions of labor problems have been described as courses of action. Solutions to economic problems are statements of probable relationships.

5.3 *A Restricted Approach.* It is sometimes charged that labor economics is narrow and unrealistic, because it studies a broad area—that defined by the employment of human beings—in terms of the processes by which their services are allocated and employed and conserved, but ignores the many other objectives in employment. Such objectives as those of personality development and social participation—described in earlier sections of this chapter—are cited as illustrating important considerations that appear to be ignored by the labor economist.

Such criticism ignores an essential characteristic of scientific study—the necessity of division or segmentation for purposes of analysis. Certainly it is true that the phenomena of employment may profitably be studied from many viewpoints, of which that of the economist is but one. But it is the only one the economist is qualified to undertake.

Economists are aware both of the need for varying approaches to these phenomena and of their own limitations in studying them. They know that manpower economics can at best provide only partial answers to many pertinent questions with regard to causes and effects in employment relationships. It is for that reason that, in subsequent chapters dealing with labor problems, frequent references are made to the studies of sociologists, psychologists, and others. Labor or manpower economics can never develop all the answers needed to provide a sound basis for formulating solutions of labor problems. Rather, a number of sciences—all those that study human beings and their associations—can contribute

to such understanding. Manpower economics is but one—and an intentionally restricted—approach.

5.4 *The Field of Industrial Relations.* The total area to be considered in any inclusive analysis of the roots of labor problems is most sharply defined by the fact of employment. That is its distinctive characteristic. That is the one condition to which all labor problems can be traced—the fact that manpower sells its services, thus creating the basic relationship of employer and employee. The area might well be defined, for this reason, as that of employment relationships, including those of employers and employees, of employers with other employers, and of employees with other employees and their organizations. In current usage, this broad area is described as that of *industrial relations.*

Students whose major interest encompasses this broad area are well aware of the fact that manpower economics is but one science that contributes to an understanding of industrial relations. Psychology, sociology, anthropology, political science, and other social disciplines have important roles in any comprehensive explanation. What is required for realistic understanding of industrial relations is a multiphase attack, an interdisciplinary assault on the phenomena of the field. A number of research agencies, having recognized this necessity, are making just such an approach.[1]

6.0 Labor Markets

The setting for most if not all the processes of manpower economics is what is widely described as the labor market. There are those who object to the term. They insist that it implies a "commodity" concept of labor, a failure to recognize its essential human characteristics and to realize that society's goals contemplate much more for its citizens than merely using them efficiently.

Such objections smack more of sentimentalism and political expediency than of understanding and intellectual integrity. For the fact is that manpower services are bought and sold, thus creating markets, and that an understanding of the marketing processes can make a valuable and essential contribution to the solution of labor problems.

The term "labor market," found only in the technical literature of economics until recently, achieved widespread popular usage during the Second World War. War agencies, faced with difficult problems of man-

[1] That is the purpose of several of the industrial relations centers, sections, and institutes established in more than twenty American and Canadian universities. For a discussion of their viewpoints and frames of reference, see *Proceedings of the Fourth Annual Minnesota Conference on Training and Research in Industrial Relations,* University of Minnesota Industrial Relations Center, 1948.

power allocation, found the concept highly useful. Thus, for instance, the War Manpower Commission classified labor markets on the basis of the adequacy or inadequacy of labor supplies as compared with current and forecast demands for manpower. Contract allocation was based on this classification. Similarly, the National War Labor Board and its regional boards, charged with responsibility for wage control, established stabilized wage rates and rate ranges by labor market areas, noting the frequent and distinctive differences among such labor markets.

The United States Employment Service, which served as the operating arm of the War Manpower Commission, has defined a labor market as follows:[1]

> The labor market is a "place" within which the factors influencing the employment process operate. It is the "place" where employers recruit workers and in which workers seek employment. It is the general field in which labor demand and supply, wage differentials, variations in hours and shifts of work, employer hiring practices, and a multitude of other working conditions shape employer-worker job relationships.
>
> Labor markets may be subdivided into three broad groups: industrial, occupational and geographic. Since employment opportunities are frequently limited in terms of specific occupations and industrial fields of work, there are usually several inter-related occupational and industrial labor markets within a common geographic area. . . .

A labor market *area* is distinguished from a labor market in the usage described by the USES as follows:[2]

> A labor market area may be defined as the geographic area consisting of a central city (or cities) and the surrounding territory in which there is a concentration of urban economic activity, or urban labor demand, and in which workers can change jobs without changing their residences. . . .
>
> The definition of an area is dependent primarily upon geographical and economic factors and not upon political or administrative boundaries.

War Labor Board usage reflected the Board's primary concern with wages and their stabilization and emphasized another characteristic of labor markets, their distinctive wage patterns or "wage structures." Labor markets were defined by the similarity of wage structures and wage levels in an area. They extended only so far as this similarity prevailed.

In both of these usages, the labor market is thought of primarily as a geographic unit, a place. But that notion is far more real with respect to unskilled and relatively immobile labor than it is for skilled employees.

[1] In "Methods of Area Labor Market Analysis," *Reports and Analysis Handbook Series*, No. 6, Washington, April, 1947, p. 1.

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

Indeed, it is frequently said that the labor market varies in size inversely with skill. Thus, while unskilled labor may have to be sold almost entirely where employees live, particularly where such labor is composed of housewives and others who have close family ties and responsibilities, highly skilled manpower may move freely throughout the nation and, indeed, into foreign countries. The Alcan highway and wartime Canadian demands upon skilled employees in the United States provide ready illustrations of this far-reaching labor market. The geographical concept of a labor market is not particularly useful as an analytic tool in connection with such highly skilled manpower.

For other purposes, industrial or occupational markets may be more realistic. Actually, although the labor marketing process is obvious, real, and tangible, the conception of a specific labor market is chiefly useful as an analytical tool or an administrative convenience. For, over any extended period of time, such individual markets are interrelated. Their supplies and demands may appear in several markets, occupational, industrial, and geographic.

On the other hand, the concept of individual markets is frequently useful. In modern society, it may be convenient to think of a myriad of local labor markets, all interrelated, but each characterized at a given time by demands for and supplies of labor and by an established marketing process. Through its participation in these markets, manpower is disposed and allocated. In them, it finds employment. In them, conditions of employment may be largely determined. Employment relationships are established, and these relationships among employees and managements and owners make up the "industrial relations" of modern society.

6.1 *Distinctive Characteristics.* Although the manpower marketing process is characterized by many of the conditions that justify the term "marketing," labor markets have many distinctive characteristics. Most important, perhaps, is the fact that they involve the sale of human services, that men engage to "work," to deliver their services to others who agree to pay for these services. This distinction is the more important because these services cannot be separated from the persons who are to perform them. The latter must accompany and deliver and participate in the services.

Because of this essential and definitive circumstance, labor marketing processes are given a special status in the law. There is no legally binding term for which such services are sold. No seller can be compelled by law to deliver; "specific performance" of the labor contract cannot be enforced. Laws regulate hours, minimum wages, and other terms of such agreements and impose special conditions of marketing based on age and sex.

There are other distinctive characteristics of labor markets. One of the most obvious is their comparative lack of fluidity or flexibility. Wage rates show no such day-to-day or hour-to-hour changes as characterize stock or grain markets, for example. Rather, whether those who sell their services are organized or unorganized, most wages change only once or twice per year or less often.

Similarly, wages differ from prices paid in many other markets in that they may vary from one employee to another in the same labor market area. The same type of labor, performing essentially the same job, may and frequently does receive different rates in plants facing each other across a single street. Nor is this a recent development; for Adam Smith remarked on it.[1] Other distinctions will be noted in subsequent discussions of the marketing process.

7.0 Points of View and Method

All students of labor problems and manpower economics are faced with the problem of trying to be fair and unbiased in their analysis of industrial relations. That is seldom easy. Differences of opinion with respect to such situations are many and varied. Proponents of each variation are likely to be persuasive. Issues are readily and frequently identified with personalities, so that conflicts assume the nature of personal feuds and persecutions. Name calling and labeling are favorite techniques in industrial strife. Designations thus applied (scab, fink, wobbly, slave labor, commie, thug, pug, and many others might be cited as illustrative) carry emotional connotations and thus aid in making reasoning more difficult.

The parties to industrial conflict frequently identify themselves or seek to identify their opponents with political or racial or religious groups. They thereby become inheritors of whatever prejudices may be associated with such groups. Many leaders on each side have little use for one who will not join wholeheartedly with them; to such leaders, anyone who is not unquestioningly with them is per se against them.

Every student, by the time he reaches maturity, has participated in experiences that tend to evoke his sympathies for one or another of the parties in industrial strife. Some of these experiences lay a foundation in fact and understanding; others are chiefly significant as they condition beliefs and sentiments.

Further, the human beings that make up manpower—managements and employees and employers alike—are *human*. They can scarcely be regarded with the same dispassion with which one studies molecules or mules or mechanics.

Under such circumstances, there is always a temptation—sometimes obvious, sometimes subtle—to take sides, to favor the underdog, or to

[1] *The Wealth of Nations*, Everyman's Library edition, 1931, p. 69.

oppose change. The tendency must be avoided if real understanding is to be developed.

7.1 *Applying Principles.* A related danger of a different order lies in the uninformed application of economic or psychological or sociological or other principles to current situations. Such "principles" or "laws" in social science represent two types of generalizations: (1) those derived empirically from a number of observations, and (2) theories developed logically from selected assumptions. The first type should be described as "empirical principles," for they are subject to numerous limitations, the most important being the number of observations and the degree of control that has been effective in the observed situations. They may have a very limited substantiation; they may have no basis in logic or understanding; they may be true of only a special type of situation. All these conditions should be taken into account in their application.

The second type must be interpreted with equal care. They are, for the most part, hypotheses advanced as partial explanations. The assumptions on which they are based may never be approximated in real situations. Their usefulness may be entirely as an analytical tool. A number of these principles will be noted in subsequent chapters. When such a principle is applied to a current situation to forecast its outcome or to appraise issues in dispute, it can at best provide only first approximations of conclusions. Its limitations in this respect should be clearly realized and stated.

In the analysis of manpower economics and labor problems that follows, the temptation to misapply such principles will be frequently encountered. That is not, however, the route to understanding. Real progress will be made by the student who becomes thoroughly aware of principles and of their limitations and who recognizes the need for additional theory in situations for which no satisfactory explanations are available. Real progress in the field of manpower economics will come from the advancement of new hypotheses and the testing of old ones. Real progress in the broad field of industrial relations can best be advanced by the cooperation of all social sciences in a similar process and the integration and synthesis of their findings and conclusions. The assignment for progress is impressive; it is also fascinating.

7.2 *Order of Presentation.* In the two chapters that follow, attention is directed to the dimensions of manpower resources and to historic patterns of utilization and conservation. On the basis of this background, several chapters are then devoted to the data and theories of manpower economics. In these chapters, effort is made to prepare students for critical appraisal, primarily in terms of economic considerations, of a number of the most important current labor problems. Chapters immediately following describe these problems and consider the most fre-

quently proposed solutions. Since labor organization plays such an important part in these proposals, special attention is given, in four chapters, to unions, their policies and programs, and their place in the current economic and political order. The volume closes with a chapter on manpower management and a final discussion of bases for cooperation in industrial relations.

QUESTIONS AND EXERCISES

1. What is meant by "manpower economics"?
2. How is manpower economics related to the general field of economics and to other subdivisions of the field?
3. What different meanings are popularly attached to the term "labor"?
4. Describe several synonyms for the term "worker," and indicate what appears to be preferable usage.
5. Describe the principal types of resources in modern societies.
6. What characteristics of manpower resources are distinctive?
7. Show that manpower resources are unusually "perishable" as compared with other resources.
8. What is meant by "social goals" as they relate to manpower resources?
9. Describe several of the most important current social goals with respect to manpower.
10. Define each of the following terms frequently applied to resources: allocation, utilization, conservation, waste, exploitation.
11. Describe major sources of wasted manpower resources.
12. What is the significance of Moore's equation, $P = NSTR$, as applied to manpower economics?
13. What are labor problems?
14. Why have war and postwar periods increased popular interest in labor problems?
15. What recent laws in the United States have sought to outline solutions for labor problems?
16. Explain and illustrate the statement that solutions for current labor problems may create additional problems.
17. Comment on the idea of "the labor problem."
18. Why are labor problems described as "dynamic"?
19. What is meant by "principles" of economics?
20. What are "industrial relations"?
21. Describe the concept of the labor market.
22. What are the principal distinctive characteristics of labor markets?
23. What factors appear to influence the extent of individual labor markets?
24. Explain the relationship of labor mobility and "frictions" to the labor marketing process.
25. Identify a local labor market and the area within which the marketing process operates.
26. Distinguish conceptions of labor markets used by the War Manpower Commission and the War Labor Board in World War II.
27. Describe and illustrate relationships between manpower economics, social goals, and labor problems.
28. Describe hazards to be avoided in the study of manpower economics and labor problems.

CHAPTER 2

Dimensions of Manpower Resources

1.0 Manpower Inventories

The first question to be asked in a study of any natural resource—coal, iron, petroleum, timber, or others—is probably one concerning the stock or supply. Similar questions may properly be asked with respect to manpower resources. Can they be measured? Of what do they consist? Are there different varieties and types? Where are they located? May more be discovered? What are the prospects for the future? How do our resources compare with those of other nations? Are all such resources available for immediate use, or are some of them "in process" so that they will be available only in the future? These are the kinds of questions to be considered in this chapter.

Manpower resources are like other living resources in their tendency to renew themselves. Inanimate resources do not have this characteristic. Coal, petroleum, and other minerals are present in measurable quantities. Thus, for example, it is said that we have a ten-year reserve of high-quality iron ore in the Mesabi range or that the nation's proved oil reserves total 22 billion barrels. That type of statement is not appropriate for timber or power resources. Certainly, it cannot be made for manpower.

On the other hand, quantities of resources that do replenish themselves may vary from time to time. Water power, for example, is dependent upon rainfall, which appears to demonstrate a cyclical fluctuation. Timber may be harvested more rapidly than it matures. Cattle or other livestock may be destroyed faster than they can be reproduced.

Manpower is also subject to changes in quantities available. Populations rise and fall, age distributions change, as do customs with regard to hours of work, who works, and ages of entrance to and retirement from employment.

1.1 *Unit of Measurement.* There is also the problem of a unit of measurement for manpower resources. What is a proper unit? Decision on that point may be somewhat more difficult than is the case in considering certain other types of resources. Thus, for example, there is rather general agreement upon the measurement of coal resources in tons, lumber in feet, and petroleum in barrels. But what of manpower? Shall it be the total number of people or potential man-hours? No such

simple measure of human resources appears appropriate. Should the unit be the total number of adults, or should it be those available for employment? Neither of these is satisfactory, for the problem is one of measuring "resources" as well as immediately available personnel. Perhaps a figure describing man-hours of service remaining in the population at a given time, *i.e.*, the total of hours reasonably to be expected of each member of the group, would be more realistic. Such a figure would be somewhat comparable to those used in measuring reserves of some other natural resources.[1]

In any such measurement of manpower, several serious difficulties are encountered. In the first place, the hours of service of human beings are not uniform, as such a unit should be. They involve all kinds of services, from those of the most unskilled common labor to those of the learned professions. Further, there is no common denominator to which they may be readily reduced.

Again, these resources may be used in several ways. Society may prefer, for example, that some young men and women remain out of labor markets to be trained for more specialized services at a later date. How are their potential services to be measured and recorded? Others may make this decision for themselves and thus throw calculations out of balance. Changing technology may force new and different applications of manpower.

In still other situations, family needs may force children or housewives to enter labor markets in search of employment or to withdraw from jobs they hold. For this reason, it is sometimes suggested that families or households should be considered as units, instead of individuals. But how may such "reserves" be estimated?

Finally, there is the important consideration, the fact that manpower services will not keep. Whether used (employed) or not, each hour of time occasions the destruction of an hour of services for each potential contributor. The hours cannot be held in *status quo* until needed. They must be used immediately, as they become available.

The fact is that reserves of manpower cannot be measured and recorded as are reserves of other resources. Only crude approximations are possible. They begin by describing the broadest possible conception of manpower—the population. That sets outside or maximum dimensions. Detailed characteristics of such populations, particularly their age and sex, outline the broad pattern of present and future manpower resources.

More detailed appraisal of present resources is facilitated by noting those sections of the population that are not readily available for employment and by describing significant characteristics of persons who are

[1] See, in this connection, Donald H. Davenport, "Estimating Labor Requirements," *Journal of the American Statistical Association*, Vol. 37, No. 217, March, 1942, pp. 48–53.

employed or seeking employment. By such means, the grosser dimensions of immediate manpower resources may be described and crude estimates of future reserves established.

1.2 *Services and Productivity.* The impossibility of separating manpower's services from the human beings who supply these services, with resulting complications as noted, is but one type of difficulty encountered in trying to assess or appraise manpower reserves. There is the further fact that, for the most part, the services are not in themselves the end desired. Rather, what is sought are the products of these services. The primary and motivating demand is for goods as well as or rather than services. A real question, therefore, concerns the productivity of these manpower resources. Thus, for example, the mere fact that a community's manpower resources in numbers might decline in future years would not necessarily imply that total product would fall or remain stationary. Output might, on the contrary, be expanded. As Professor Clarence D. Long has indicated, "There is evidence to suggest that the propensity of labor to work hard or take it easy fluctuates enormously from one month or one year to another (possibly 50 per cent). . ."[1]

This question of measuring manpower has no arbitrary answer. Complications cannot be whisked away by any magic formula. Efforts have been made to discover some simple approximation of aggregate productivity, but they do little more than suggest trends, as will be noted in later discussions of wages. Careful study of possible means of measuring productivity represents one of the most interesting opportunities for research. Meanwhile, manpower resources must be appraised in grosser terms.

2.0 Manpower Resources as Population

Total population provides a crude measure of manpower resources. That it is but a crude measure is obvious. It includes many who may not enter labor markets for several years, and others who will probably never be employed again. There are, in every population, large numbers of the very young, the very old, mothers with children, those who are ill, and others whose personal characteristics limit or prevent their participation in productive or gainful activity. There are still others who, because of custom or economic position, perform no service and have little significance as manpower resources.

Proportions of such "nonparticipants" or "noncontributing" groups vary from time to time and from one society to another, so that no simple generalization is realistic. In the United States, in recent years, about 43 per cent of the total population has been included in the group that

[1] In his paper on "Measuring the Supply of Labor," before the Econometric Society, Dec. 27, 1949.

is working or seeking work. This proportion varies also with changes in the age distribution of the population. It was larger when there were greater proportions of younger people and smaller proportions of the very old. It will probably become smaller as our population continues to age, for the very old do not maintain their participation in gainful activity.

Figure 2.1 provides a clear-cut indication of the relationship of population and labor force in the United States in April, 1948. The much larger

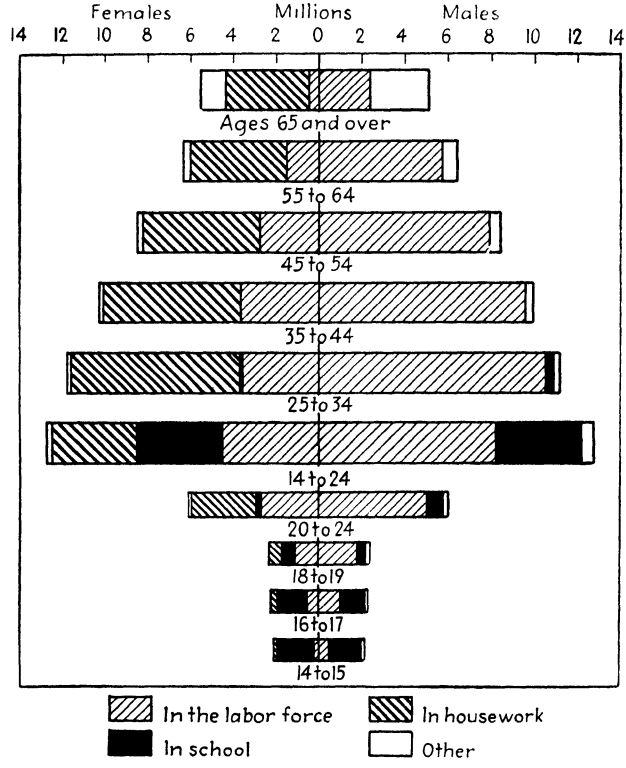

FIG. 2.1. Population and labor force by age and sex, United States, 1948. (*Reproduced from the Bureau of Labor Statistics Chart Series.*)

proportion of males than of females in the labor force is evident, as is the declining participation of aged citizens.

Custom and convention also affect the proportion of the total population that works. Early retirements, old-age pensions, and school attendance laws are examples of conditions that reduce the proportion of actual participants in the total population. Opening new jobs to women, on the other hand, might increase this ratio.

Population totals, therefore, are not accurate measures of manpower resources. On the other hand, several characteristics of a population

set the outside limits on manpower resources and indicate similar limitations on resources in the immediate future. Within these limits, tradition, custom, scales and standards of living, and a myriad of similar factors combine to determine the actual dimensions of manpower resources.

2.1 *Measures of Future Resources.* As means of appraising future manpower resources, and particularly the outside limits of such resources, population figures represent the only measures available. From analysis of present numbers and age and sex distributions, long-term trends in birth and death rates, and other significant characteristics of existing populations, predictions or estimates of future numbers are possible, although changing social and economic structures of modern societies limit the accuracy of all such forecasts. Customs and conventions may change, as may the technology of production, and such changes may affect the proportions of population employed and allocated to various industries, occupations, and localities. In spite of these limitations, population data are helpful in appraising future manpower resources.

For the United States, a number of estimates of future population are available.[1] Predictions have calculated the continuing growth of the nation's population until the year 2000. Figure 2.2 summarizes estimates of population by major age groups through 1980.

Such estimates frequently distinguish, in present and future populations, the "productive" ages (20 to 64 years) and the "dependent" ages (under 20 and over 64 years). In 1940, 58.7 per cent of the total population was in the productive ages. By 1980, 16.7 million will have been added to these age groups. At the same time, however, numbers of dependents will also have increased. Similarly, the number of males eligible for military service (those from 20 to 44 years of age) has been estimated as 25,473,478 in 1940 and 26,348,000 in 1980. All forecasts for the United States indicate that the rate of growth is declining and that the median age of the population will continue to increase. These forecasts are, like those of the weather, subject to change without notice, for they might be somewhat modified by changes in the birth rate or by increased immigration or other changing social or political policies.

2.2 *International Comparisons of Population.* Studies of world changes in populations suggest that, whereas numbers in Europe and in the United States are growing very slowly, Asiatic populations continue to expand rapidly. Moreover, the industrialization of these areas, now in process, may be expected to exert an accelerating influence on this expansion, as it appears clearly to have done in the nineteenth and early twentieth centuries in Western Europe and the United States. Japan,

[1] See the publications and releases of the Population Reference Bureau, 308 Victor Building, Washington, D.C.; "Estimated Future Population by Age and Sex, 1945–1980," Washington, Census Bureau, July, 1944.

already widely industrialized, has reduced its rate of population increase, but Russia, with a present population of approximately 180 million, is expected to grow to considerably more than 200 million by 1970. India may be expected to increase from its present 375 million to 500 million by 1970. No reliable estimates are available for China, but that it will continue to increase in population during the next several decades appears certain.

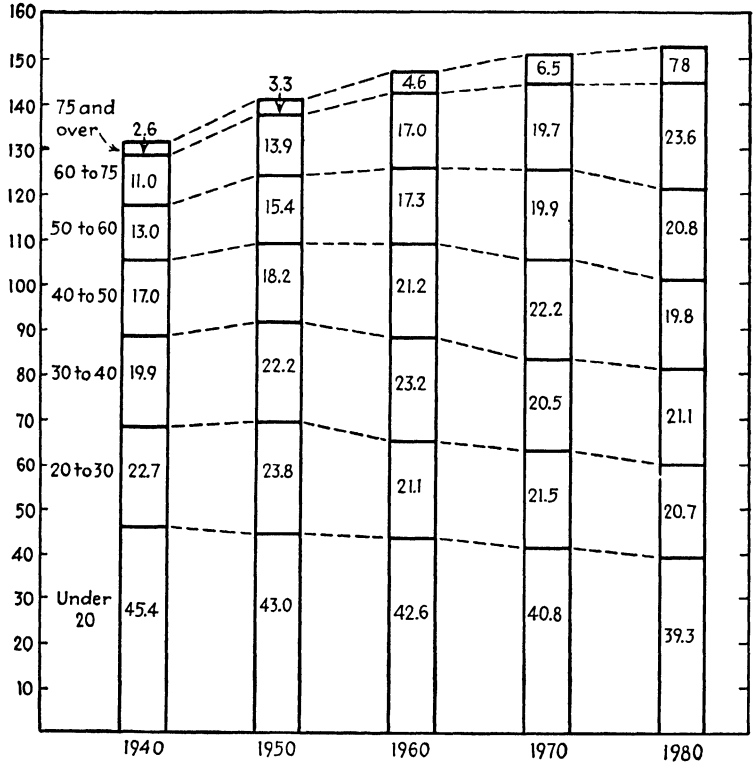

FIG. 2.2. Predicted population of the United States by major age groups, 1940–1980. (*Based on census and National Resources Committee reports as summarized in the "Population Bulletin," August,* 1941, *Population Reference Bureau.*)

Estimates of present and future populations for selected areas throughout the world are summarized in Table 2.1.

In Western Europe and the United States, the general nature of future changes is rather apparent. Low birth rates have resulted in slow rates of population growth and in the gradual aging of populations. England, France, Italy, and Germany all show this trend. Older age groups will continue to increase in importance. Much the same situation prevails in the United States. Russia alone among industrialized nations has a

TABLE 2.1. COMPARISON OF POPULATIONS, SELECTED AREAS, 1946 AND 1955[1]
(In millions)

Areas	1946	1955
United States	143	152
Canada	12	14
Middle America	48	57
South America	101	118
Japan	76	83
China	430	440
India	414	454
Other Asia	267	303
Oceania	12	13
U.S.S.R	193	210
Europe	382	404
Africa	173	191

[1] From National Industrial Conference Board, *Domestic Consumer Markets*, May, 1948, pp. 8–9.

heavy concentration of population in the ages under twenty years (45 per cent). As a result, estimates released by the National Industrial Conference Board[1] suggest that, from 1940 to 1960, populations of several European nations may be expected to change as follows: Italy, increase 4.7 million; Spain, increase 2.2 million; France, decrease 2.2 million; Germany, decrease 5.6 million; United Kingdom, decrease 0.8 million. Meanwhile, India is expected to grow by 91 million, Russia by 29 million, China by 24 million, and Japan by 15.5 million. Brazil will increase by 10.5 million, Argentina by 3.7 million, and Mexico by 4.1 million; while the United States is expected to increase 21.7 million, Canada, 2.4 million, and Australia, 0.6 million.

Relative positions of the nations, as proportions of total world populations, will not have changed greatly in the 20-year period, but it may be noted that India will have replaced China as having the largest single share, and Russia will have increased its proportion from 8.2 to 8.4 per cent. Meanwhile, the United States will have increased also from 6.2 to 6.4 per cent. Total world population will have grown from 2,120 million to 2,413 million.

This report indicates that while the 20–44-year age group increases 4.4 per cent in the United States and 2.9 per cent in Italy, and declines 1.2 per cent in the United Kingdom, 0.8 per cent in France, and 4.1 per cent in Germany, it will grow by 7.9 per cent in Eastern Europe and by 12.7 per cent in Russia.

2.3 *Optimum Populations.* Is there an "ideal" or "optimum" population for each society at any specified time? Should nations seek to increase or decrease numbers by influencing the birth rate, death rate,

[1] "America's Resources for World Leadership," 1947, pp. 4–8.

and migration and thus to achieve such an optimum? Many affirmative answers to these questions have been given. Those who express these opinions, however, do not agree, either on the ideal level of population to be sought or the means to be employed in achieving it.

Actually, there are several criteria by which optimum levels of population may be judged. Unfortunately, perhaps, they lead to different conclusions. Thus some advocates of planning population size emphasize political considerations, alleging that where the ratio of population to natural resources is comparatively although not extremely low, there is a greater tendency toward democratic government, political equality, and tolerance. Where population density increases, according to this viewpoint, there is greater regulation and restraint and less individual freedom. Presumably their conception of the optimum population would be such as to maximize political freedom and participation.

Another criterion that is frequently applied is the scale of living. Analysis usually begins with assumptions as to what minimum living scales are desirable. On that basis, calculations appraise national income to arrive at an estimate of numbers that can be supported at or above the selected minimum standard.[1] Such analysis obviously ignores possible effects of increases or decreases in population on national income.

Economists have applied another test to define this optimum. That index is the ratio of general marginal productivity of labor to average productivity. So long as the marginal product is greater, population increase (if translated into added labor) would add to the average product. As Meade says,[2]

> If an increase in population by one unit would increase the total output by more than the existing output per head, then an increase in the population will raise output per head. . . . We now have a method of judging whether with a given amount of land and capital the population is greater or less than the optimum.

On this basis, any population may be judged as to its position with respect to the optimum by comparing these measures. Actually, the most readily available indicator might be an index of real wages or purchasing power. If that index is rising as population grows or falling with declines, it may be concluded that at least the employed population or labor force has not achieved the optimum.

There are other practical considerations that may have greater influence on the desirable size of populations than those mentioned. For

[1] See, for examples, "A Study in Optimum Population for the United States," *Population Bulletin*, July, 1940.

[2] J. E. Meade, *An Introduction to Economic Analysis and Policy*, New York, Oxford University Press, 1938, pp. 267–268.

example, on a national basis, the need or desire to maintain manpower for military service may be regarded as of paramount importance. Tending in an opposite direction is the desire to conserve natural resources. A nation having an advantage in such resources may seek to prevent their rapid exploitation by limiting immigration or otherwise restricting population. There are thus several optima, depending on the priority given social, economic, and political goals.

3.0 Labor Force as a Measure

In the United States, a measure of aggregate human resources available at any specific time that may be somewhat more useful than population is what is known as the labor force. In nontechnical terms, the labor force is made up of all those who are able to work and are working or seeking work. For enumerative purposes, it is defined as those who during a given week reported holding or seeking work—full-time or part-time—for pay or profit or in a family enterprise. It is thus the total number of persons who at any particular time regard themselves as available for employment.[1]

The labor force includes unemployed as well as employed. It thus differs from the "gainfully occupied" concept used by the census in enumerations before 1940. The labor force includes all types of employment and is not restricted to certain popular concepts of "labor." Bankers, professional persons, skilled and unskilled employees, the self-employed, managers—all are included in the labor force. The president of a large firm is included. On the other hand, housewives are not, nor are students, unless they also work for pay or profit.

3.1 *Problems of Definition.* The Census Bureau has noted with some concern the problems of sharp definition of the labor force.[2] The population is not readily and simply divided into those who work and those who do not. While some groups are clearly outside the labor force, including babes in arms and those who are so ill as to preclude any contribution whatsoever, there are many others that work at times when jobs are plentiful, or when they are not in school, or when it becomes necessary to find employment because other members of the family unit are out of work, or under similar unusual circumstances. Some of these time-to-time members of the labor force are "secondary" employees; they enter labor markets principally when "primary" members of their household

[1] For a comprehensive and critical discussion of labor force measurement, see Louis J. Ducoff and Margaret Jarman Hagood, *Labor Force Definition and Measurement*, New York, Social Science Research Council, 1947; also Philip M. Hauser, "The Labor Force and Gainful Workers, Concept, Measurement, and Comparability," *American Journal of Sociology*, Vol. 54, No. 4, January, 1948, pp. 338–355. See also Seymour L. Wolfbein, "The Labor Supply of the United States," *Occupations*, Vol. 25, No. 6, March, 1947, pp. 321–324.

[2] See "Labor Force Memorandum," No. 3, June 25, 1948.

units are unemployed. Others represent the very young or very old in modern societies. Still others are institutionalized persons, in hospitals and prisons, for example. Attention is directed to the special problems of many of these groups in later chapters.

Further, numbers of persons in the labor force tell only part of the story. Some members of the adult population are available for employment on a part-time basis only. They cannot or will not, for one reason or another, accept employment for a full day or for more than two or three days per week. Moreover, the labor force is made up of people rather than services, yet services are the essence of what is wanted from these people. Hence, a small labor force in one locality may include very high skills, while a large force might be deficient in such skills. For example, the labor force of this nation was greatly expanded during World War II, but numbers of tool and die workers were not increased proportionately. Again, if professional and apprenticeship training were neglected, this nation's labor force might continue to grow at the same time that its reservoir of skills actually declined.

A true measure of the labor force would presumably provide an inventory of skills and abilities as well as people. No such inventory is likely to be maintained on any broad scale, however, for its development would be difficult and complicated. In part, this is true because many persons have several skills. They are double- or triple-threat employees. They may be employed in any one of several alternate capacities. But an effort to approximate such an inventory is made by classifying members of the labor force according to their present occupations, as will be noted.

3.2 *Dynamic Nature of the Labor Force.* The labor force of the nation is dynamic; it does not retain the same characteristics from time to time. It changes both in size and in composition. The labor force of a nation is constantly changing in size as some members retire, or are deceased, or leave the force for other reasons (women who become housewives, young men and women who return to school, for example), while others are entering the labor force (graduating or otherwise finishing their education, giving up unpaid family worker status, etc.). Basic to many of these changes are related fluctuations in population, but they cannot alone explain variations in labor force. Cultural factors, the ups and downs of the business cycle, and individual whims and wishes all exert an influence.

That the labor force can change its dimensions quickly should be evident (see Fig. 2.3). Actually, in the United States, it shows broad seasonal changes, growing by as much as 5 per cent in the summer, when schools close, and contracting in the fall. When there is need for additional manpower, the labor force can be expanded by drawing into it many who normally remain outside. Thus, in World War II years, this nation's labor force was augmented by almost 13 million employees

(expanding from about 55 million in July, 1940, to some 68 million in July, 1944).[1] The largest single source of these additions was population growth, which accounted for some 4 million of the additional force. The annual increment averages from 600,000 to 800,000 from this source

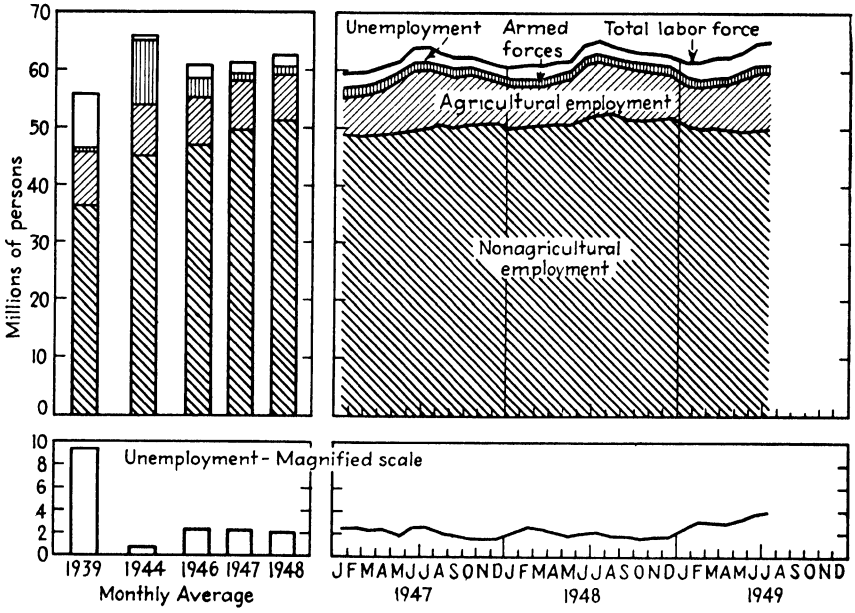

FIG. 2.3. Labor force changes, 1939–1949. (*Reproduced from Economic Indicators, August, 1949, p. 6. The chart appears regularly in each issue.*)

in peacetime. In addition, large numbers were recruited from among those formerly classified as unpaid family workers, while other large increments came into the labor force from those who had been in school and from persons who returned to work from retirement.

[1] Rapid changes during war months are evident from the following summary, which lists annual averages, not peak months, from 1942 through 1944.

Year	Labor force, millions	Military services, millions
1941	57.5	1.6
1942	60 4	4.0
1943	64.5	9.0
1944	66.0	11.4
1945	65.3	11.4

3.3 *Short-term Fluctuations.* Aside from basic growth tendencies (positive or negative) to be noted in the next section, all labor markets, national, regional, or local, reflect various short-term changes. Most common is that connected with the seasons. The national labor force increases, each summer, by some three million. Most of them come into the market when schools close in June, and they leave the market when schools open in the fall. Not all this seasonal increase is made up of school children, however. There is a large army of agricultural workers, many of whom drop completely out of the labor market during winter months to return early in the spring.

Minor fluctuations appear, also, as a result of community customs and practices. Christmas shopping generally gives rise to an upward movement throughout December. January reflects the postholiday recession. Fairs, carnivals, and similar events may all have their reflections in employment and in the size of local labor forces, as manpower enters and leaves these labor markets.

Short-term fluctuations also reflect other economic changes, such as those that characterize business cycles. When employment falls in periods of recession, additional members of family units may feel the necessity of entering labor markets to supplement family incomes. This secondary or supplementary participation may increase the labor force. Similarly, when labor markets are "tight" and demands for labor are unusually great, additional employees may be attracted by the higher wages being paid.[1]

The wartime growth of the labor force of this country has been mentioned in earlier paragraphs. It effectively illustrates the possibilities of short-term expansion. Figure 2.3 indicates the month-to-month changes in manpower available during years since the war as well as the long-term growth of the labor force since 1930.[2]

3.4 *Long-term Growth Factor.* Figure 2.4 indicates that the national labor force grew by some 12 million in twenty years. Long-term trends in the labor force are not, however, readily summarized from available statistics. In part, this is true because the term labor force has not been applied outside individual firms in the United States until recent years. Earlier census enumerations described the "gainfully occupied," a concept that excluded the unemployed and is, therefore, not strictly comparable to labor force.

[1] See H. G. Heneman, Jr., *Differential Participation in the Labor Force*, Thesis, Graduate School, University of Minnesota, 1948; W. S. Woytinsky, *Additional Workers and the Volume of Unemployment in a Depression*, Social Science Research Council, 1940; D. D. Humphrey, "Alleged 'Additional Workers' in the Measurement of Unemployment," *Journal of Political Economy*, Vol. 48, No. 2, June, 1940, pp. 412–419.

[2] For a detailed study of wartime changes, see Clarence D. Long, *The Labor Force in War-time Service*, New York, National Bureau of Economic Research, Inc., 1944.

Durand[1] has estimated that the labor force grew from 22 million in 1890 to 53 million in 1940, a gain of 140 per cent in 50 years. For the half-century as a whole, average growth amounted to about 600,000 each year. Population grew by 110 per cent in the same period. Labor force growth was more rapid, principally because of the age distribution of the population. This rate of growth cannot be expected to continue,

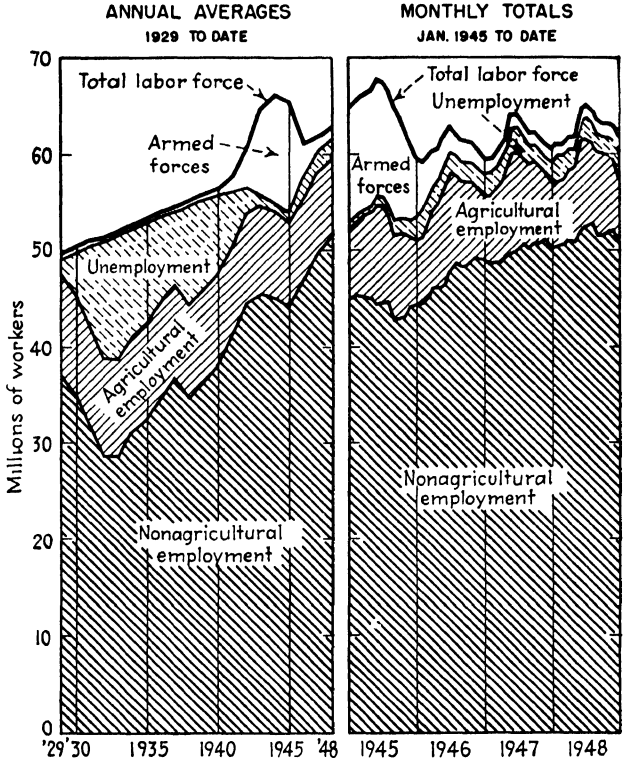

FIG. 2.4. The labor force of the United States, 1929–1948. (*Bureau of Labor Statistics Chart Series, data from Bureau of Labor Statistics and Bureau of the Census.*)

for several reasons. Durand concludes that "Unless the underlying population trend is changed, the time will come after a few more decades when the labor force will cease to grow." By 1960, however, it may include approximately 70 million persons.

Durand's estimates of national labor force numbers and average annual increases in this period may be summarized as follows:[2]

[1] John D. Durand, *The Labor Force in the United States, 1890–1960*, New York, Social Science Research Council, 1948, p. 17.

[2] *Ibid.*, p. 19.

Year	Labor force	Average annual increase
1890 (June)	22,200,000	
1900 (June)	28,400,000	620,000
1920 (January)	40,700,000	620,000
1930 (April)	47,600,000	690,000
1940 (April)	53,300,000	570,000

Factors other than population growth may exert significant influence on the size and composition of the labor force. Thus, for example, changing customs with respect to school attendance may restrict the numbers of young persons entering the force, or changing opportunities for women may expand their proportions in the labor force. These changes have actually occurred in the past, sometimes fairly rapidly. During the past eighty years, for example, proportions of women in the labor force have grown from approximately one in seven in 1870 to one in five in 1910, one in four in 1940, and one in three (excluding military services) during World War II.

3.41 *Significance of immigration.* Many of the long-term changes that have characterized the labor force in this country have reflected the influence of immigration. The 17 million immigrants who have entered the nation since 1800 may or may not have actually increased the total population of the nation; that is a disputed point to be considered in a later chapter. But they have unquestionably changed the age distribution of the population. For immigration has included unusually high proportions of persons in the working-age groups, particularly those who have almost a full lifetime of working years before them. They have augmented the labor force directly. Further, immigrants have had larger families than native-born citizens and have thus tended to increase proportions of younger persons in the population.

Since 1924, the volume of immigration has been greatly restricted. Partially as a result of this change, proportions of elders are increasing. Annual increments to the labor force reflect only a small net addition from immigration, although the admission of displaced persons in postwar years has provided a few thousand additions. Unless the policy of restriction is modified, future population and labor force will feel little influence from this source.

3.42 *Natural increase.* Meanwhile, the rate of natural increase, the excess of births over deaths, is declining. Thus, for the years from 1940 to 1950, population increase from all sources has amounted to only approximately 10 million, or 1 million per year. More important, the labor force grows less rapidly than the population. In part, this is

due to the changing age distribution of the population of the United States. The nation is rapidly growing older. The median age is increasing rapidly. Proportions of older persons are increasing, while those of younger persons are declining. Consequently, fewer reach the entrance age for gainful employment.

3.43 *Income factors.* Douglas and others[1] have suggested that there is a direct relationship between levels of income and labor force participation, in that long-term supply curves of labor are somewhat negatively inclined. In other words, as wages (earnings) rise, fewer hours of labor are made available, and some of the potential increase in income is exchanged for greater leisure. Some of the added leisure is secured by reducing daily or weekly hours. Some of it is reflected in later entrance into and earlier retirement from the labor force. If this tendency is real and persistent, as it appears to be, it may exert a significant influence on the size of the labor force. The latter would presumably tend to become smaller as incomes increase. Since the long-term trend toward increasing real wages in this country has long been evident, this influence can be expected to reduce labor force participation.

3.5 *Future Labor Force.* The study of the American labor force by Durand[2] provided forecasts of the future labor force through 1960. By 1955, the labor force was expected to total 61,120,000, of which number 44,210,000 will be males and 16,910,000 will be females. In 1960, according to these estimates, the labor force would consist of 45,270,000 males and 18,240,000 females. These estimates are clearly too conservative.

The author concludes that "the most noteworthy aspect of the projected trends in absolute numbers is the slackening rate of growth of the male labor force." He suggests that if projections could be carried further into the future, they would show continually reduced increments of males. Females, on the other hand, will, for many years to come, increase in numbers in the labor force.

Many other significant changes in the labor force are to be expected. They will affect not only its sex distribution but also changing age groups and industrial and occupational classifications. Several of them are noted in subsequent sections that consider these important characteristics of the labor force.

4.0 Significant Characteristics of the Labor Force

In appraising manpower resources, it is not enough to indicate that they consist merely of a labor force of specified size. For the persons who

[1] *Cf.* Paul H. Douglas, *Theories of Wages*, New York, The Macmillan Company, 1934, Chap. XI; Erika H. Schoenberg and Paul H. Douglas, "Studies in the Supply Curve of Labor," *Journal of Political Economy*, Vol. 45, No. 1, February, 1937, pp. 45–79.

[2] Durand, *op. cit.*

make it up are by no means uniform and interchangeable. On the contrary, they include a wide range of differences. They have different industrial and occupational experience and "know-how." Some are independent entrepreneurs; others have always "hired out." Some are skilled, others without skill; some are able and experienced managers and administrators; others have enjoyed little opportunity to demonstrate or develop such talents. Some are young; some old. Some are men; others are women. There are differences in basic aptitudes and interests. All these conditions affect the services available for employment.

Over a period of time, many labor force members can be retrained and otherwise adjusted to new jobs and different functions. But, at any given time, many of them are useful only in the area, industry, and occupation in which they are employed. There are, in other words, distinct limits to labor mobility. For this reason, many of the present and prospective characteristics of the labor force deserve careful attention.

4.1 *Sources of Information.* Data with respect to these characteristics of the labor force are neither too reliable nor too readily available. Until recently, about the only information has been that provided by the decennial censuses As noted above, the labor force concept was not adopted until the 1940 census, so that earlier records report a somewhat different classification. Census reports provide age, sex, industrial, and occupational classifications based on the statements made to census takers. They provide only for present occupations, not occupations for which persons may be best prepared or which they prefer. Until recently, these enumerations provided data only at ten-year intervals. Since the labor force is dynamic, important changes might occur between enumerations. Data were generally not available for local labor markets but were summarized by states and regions.

Confirmation of labor force data is available from reports of employment by industrial classification as collected and prepared by the Federal Bureau of Labor Statistics. BLS reports are, of course, not strictly comparable, for they are based on reports from a sample of employers and do not include complete coverage of the labor force. They show numbers employed by industry, and also report on hours and earnings. They thus reflect short-term changes and provide a correction factor that may be applied to less frequent census or other enumerations.[1]

4.11 *MRLF data.* In recent years, the Bureau of the Census has provided labor force information for the nation as a whole on a monthly

[1] For a more extensive discussion of the major limitations in such data, see Dale Yoder, D. G. Paterson, *et al.*, *Local Labor Market Research*, Minneapolis, University of Minnesota Press, 1948, Chap. III. Bureau of Labor Statistics data describing "Employment and Payrolls" are released each month in the *Monthly Labor Review*, which also publishes the Census Bureau estimates mentioned below.

basis. Undertaken originally as a WPA project, a sampling procedure not unlike that used in polling public opinion is employed to secure current data. While the sample for most localities is too small to permit local estimates, over-all, aggregative data for the nation as a whole are thus available.

Data are released in a regular series of bulletins by the Bureau of the Census. Each *Monthly Report on the Labor Force* (MRLF) indicates the total force, the total civilian labor force, employed, unemployed, and sex. In addition, information is secured at less frequent intervals on occupation, industry, age, hours worked, and other pertinent conditions.

4.2 *Industrial Distribution.* The industrial distribution of the labor force indicates how manpower resources are presently disposed among industries. It should not be regarded as accurately defining the abilities or interest of those who make up the labor force. Limitations of such data as evidences of resources must be remembered. Many of those presently engaged in selling, for example, may have had experience in manufacturing or some other industrial classification. They may prefer or intend to shift to some other classification. They may have both aptitude and skill in other segments of employment and may have had experience in them.

The distribution of this nation's labor force in 1940, by industrial classifications, is summarized in Table 2.2, where it is compared with

TABLE 2.2. INDUSTRIAL DISTRIBUTION OF EMPLOYED MANPOWER, 1940, AND APRIL, 1948[1]

Industrial group	1940		April, 1948	
	Number, thousands	Per cent	Number, thousands	Per cent
Agriculture, forestry, and fishing	8,475	18.8	7,530	12.9
Mining	913	2.0	917	1.6
Construction	2,056	4.6	3,377	5.8
Manufacturing	10,573	23.4	16,183	27.7
Transportation, communication, and other public utilities	3,113	6.9	4,574	7.8
Wholesale and retail trade	7,539	16.7	11,071	19.0
Finance, insurance, and real estate	1,468	3.2	1,943	3.3
Business and repair services	864	1.9	1,448	2.5
Personal services	4,009	8.9	4,110	7.0
Amusement, recreation, and related services	395	0.9	478	0.9
Professional and related services	3,318	7.3	4,034	6.9
Government	1,753	3.9	2,667	4.6
Total	45,166	100.0	58,332	100.0

[1] Census Bureau data from *Population*, Series P-10, No. 11, April 29, 1942, and *Current Population Reports*, "Consumer Income," Series P-60, No. 5, Feb. 7, 1949.

more recent estimates. It is worthy of note, however, that no regular reporting of industrial and occupational distributions is available. As a result, numerous shifts and changes take place without notice. During World War II, for example, it is known that about one-third of the labor force changed jobs. Greater assistance might have been given in post-war readjustments if more facts as to these changes had been available.[1]

The basic pattern of industrial allocation probably does not change rapidly, however. The largest single industrial classification is unquestionably manufacturing and mechanical industries, with agriculture second. The proportion of manpower allocated to agriculture has declined by almost 50 per cent in forty years. Trade, professional, and government services appear to have increased in importance, while domestic and personal services have continued to decline. A comprehensive study of these trends in the period from 1910 to 1948 found that employment was declining in the extractive industries and increasing in manufacturing, trade, and services. Declines in extractive industries and personal services represent major trends. In comparison with these, declines in construction and transportation appear as relatively minor adjustments.[2]

The Census Bureau reports that manufacturing industries, which accounted for 20.5 per cent of all gainfully occupied in 1870, employed 23.4 per cent in 1940. Similarly, transportation and communication increased the proportions for which they provided employment from 4.2 per cent in 1870 to 6.9 per cent in 1940, and professional services expanded from 2.6 to 7.3 per cent of the total in the same period. Meanwhile, agriculture, which accounted for 53.0 per cent in 1870, had been reduced to 18.5 per cent in 1940. Forestry and fishing declined from 0.5 per cent to 0.2 per cent; extraction of minerals grew from 1.4 to 2.0 per cent; trade expanded from 6.8 to 16.7 per cent; public service increased from 0.7 to 3.9 per cent; and domestic and personal service fell from 9.7 to 8.9 per cent. Many of these trends have continued through the years since 1940, as is indicated in Table 2.2.

4.3 *Occupational Distribution.* The occupational characteristics of manpower resources are at least as significant as their industrial distribution. The significance of occupations becomes quickly apparent whenever there are generally tight labor markets. In World War II, for example, the War Manpower Commission was concerned, in the first

[1] See as illustrative of the limited information secured and released, *Current Population Reports, Labor Force,* Series P-50, No. 1, July 11, 1947.

[2] Gladys L. Palmer and Ann Ratner, "Industrial and Occupational Trends in National Employment, 1910–1940, 1910–1948," *Research Report* 11, Industrial Research Department, Wharton School of Finance and Commerce, University of Pennsylvania, September, 1949.

stages of manpower mobilization, with shortages in what were described as "critical" occupations—tool and die makers, machinists, doctors and others which could not be supplied by speeded-up training programs or by simple "conversions" from other occupations.

Current occupational information with respect to the labor force is as limited as is that on industrial classifications. Although the *Dictionary of Occupational Titles*, developed by the Occupational Research Program of the United States Employment Service, lists some 19,000 occupations, census data on the occupations of the labor force cannot report on all the distinctions that define these individual callings. Hence knowledge of the numbers in each occupation is distinctly limited. Census interviewers as well as those who are interviewed are seldom qualified to draw the finer lines of occupational distinctions. Moreover, as in the case of industrial classifications, census reports can only indicate *present* occupations, not occupational experience or preference. They tell nothing of the occupational capacities and skills that were not, at the time the census was taken, being utilized. Thus, for example, if a skilled craftsman was employed as an operative, he is classified in the latter group. There is no way of knowing how many hidden resources in terms of skills and experience are thus obscured.[1]

The fact that one person may have several occupations limits the value of any enumeration or classification. So, also, does the fact that there are relatively few occupations that have standards of admission and public registration, so that individuals may claim occupations for which they are not actually qualified. Thus, not all those who claim to be professional workers or skilled craftsmen may be qualified for these positions. Moreover, many occupations are related, so that a person who is qualified in one may be, with slight additional training, fitted for several others. That is the reason for the description of "job families," which bring together jobs having similar skill and other requirements. The description of job families is especially useful in shifting manpower from occupations in which there are surpluses of manpower into those in which there are shortages.

Census enumerations note ten major classifications of occupations and several hundred subdivisions of these classes. The major classes, together with numbers actually employed in each of them in 1940 and in 1948, are summarized in Table 2.3.[2] Some of the differences noted in comparisons of 1940 and 1948 are seasonal. Declines in numbers employed on farms and in domestic service, however, are notable as

[1] See, however, Census Bureau, "Comparative Occupation Statistics by Sex for the United States, 1940 and 1930," *Current Population Reports, Labor Force*, Series P-50, No. 4, Feb 9, 1948.

[2] See also Census Bureau, *Current Population Reports*, Series P-10, No. 10, Apr. 29, 1942.

TABLE 2.3. OCCUPATIONAL CLASSIFICATION OF EMPLOYED LABOR FORCE, 1940 AND 1948[1]

Major occupation group	1940		1948	
	Number, thousands	Percentage	Number, thousands	Percentage
Professional and semiprofessional	3,460	7.5	4,096	7.0
Proprietors, managers, officials (except farm)	3,840	8.3	6,381	10.9
Farmers, farm managers, foremen, laborers	8,610	18.6	7,234	12.4
Clerical workers	4,810	10.4	7,345	12.6
Sales workers	2,980	6.5	3,613	6.2
Craftsmen, foremen, and kindred	5,150	11.2	8,111	13.9
Operatives and kindred	8,520	18.5	12,262	21.0
Domestic service workers	2,240	4.9	1,807	3.1
Service workers (except domestic)	3,370	7.3	4,206	7.2
Laborers (except farm)	3,120	6.8	3,277	5.7
Total	46,100	100.0	58,332	100.0

[1] From Census Bureau, Vol. III, *The Labor Force*, Sixteenth Decennial Census, *Population* and *Current Population Reports*, "Consumer Income," Series P-60, No. 5, Feb. 7, 1948; also Bureau of Labor Statistics, as reported in Harold Wool and Lester M. Pearlman, "Recent Occupational Trends," *Monthly Labor Review*, Vol. 65, No. 2, August, 1947, p. 140. Data are limited to those employed, because only information on the employed is available in noncensus years.

reflecting long-term trends, as are increases in operatives—semiskilled machine tenders—and clerical employees. The Palmer-Ratner study already mentioned, in its calculation and appraisal of established trends, found a significant and continuing decline in farm operators, farm laborers, and nonfarm laborers, and a similarly significant increase in numbers and proportions of craftsmen and "white collar" occupations.

4.31 *Shifting occupational distribution.* As is evidenced in Table 2.3, changes in the occupational distribution of the labor force are constantly taking place, although many of them are not sharply defined in long-term comparisons of the larger census classifications. In part, this is because shifts take place within the classes. Individuals change jobs and vary the nature of their work, but these changes frequently take place within a single major classification. Some changes are obscured also because census reports tend to combine and confuse industry and occupation. Sales, for example, is probably as much of an industry as an occupation. It may include clerical workers, craftsmen, and professional persons. In part, these changes of occupation are not adequately shown in the data because census definitions of occupations have changed from one enumeration to another. In part, also, they may be uncounted because they occur between census enumerations.

For all these reasons, data on the amount and nature of change in occupations are not conclusive. To provide some appraisal of the nature of such shifts as may be significant, the Census Bureau has supplemented

its occupational distribution with a "socioeconomic" classification of employed manpower. That breakdown distinguishes relatively unskilled occupations in somewhat greater detail than the usual occupational classification, as may be noted from Table 2.4 The table permits a 30-year comparison that discloses interesting and significant trends. It suggests, for example, that while proportions of professional persons, clerical workers, and semiskilled are growing, proprietors, unskilled workers, farm laborers, and servants have been declining.[1]

TABLE 2.4. SOCIOECONOMIC CLASSIFICATION OF THE GAINFULLY EMPLOYED, 1910–1940[1]

Classification	Percentage distribution			
	1910	1920	1930	1940
All gainfully employed	100.0	100.0	100.0	100 0
Professional persons	4.3	4.9	6.0	6.5
Proprietors, managers, and officials	22.5	22 1	19.8	17.7
Clerks and kindred workers	10.0	13.7	16.3	17.2
Skilled workers and foremen	11.4	13.4	12.9	11.7
Semiskilled workers	14.4	16.0	16.3	21.0
Unskilled workers	37.3	30.0	28.7	25.8
a. Farm laborers	16.3	10.1	9.1	7.1
b. Factory and building-construction laborers	7.0	7.5	6.9	10.7
c. Other laborers	7.4	6.9	5.9	
d. Servant classes	6.7	5.4	6.8	8.0

[1] The classes and census definitions have changed somewhat and comparisons are not exact. Based on Alba M. Edwards, "Composition of the Nation's Labor Force," *Annals of the American Academy of Political and Social Science*, No. 184, March, 1936, p. 1020; *A Social Economic Grouping of the Gainful Workers of the United States*, Washington, Department of Commerce, 1938.

Figure 2.5 is a graphic portrayal of the most important shifts in occupations since 1940 The influence of World War II is clearly evident in the data for 1945. Increasing employment in semiskilled, clerical, and administrative jobs reflects a long-term trend, as does the declining importance of farm jobs, domestic service, and unskilled labor. It is probable that domestic service tends to decline sharply whenever labor markets are "tight," *e.g.*, characterized by excesses of demands over supplies. Similarly, manpower shortages and high-level economic activity help to explain declining proportions of sales occupations. Rises in proportions of skilled labor and foremen and declines in professional

[1] See also Census Bureau, *Current Population Reports, Labor Force*, Series P-50, which describes data secured through the sampling survey on which MRLF reports are based. See also "Labor Force Memorandum No. 3," June 25, 1948, which explains the difficulties involved in measurement of the unemployed. See also Wool and Pearlman, *op. cit.*, and Harold Goldstein, "The Changing Occupational Structure," *Monthly Labor Review*, Vol. 65, No. 6, December, 1947, pp. 654–659.

and semiprofessional occupations are not so readily explained. Some of the change in skilled craftsmen may be a matter of classification. Perhaps, also, the strong demand for wage earners in the period may have reduced interest in semiprofessional jobs. At the same time, many professional and semiprofessional occupations may decline in numbers when employment opportunities in industry improve. Schoolteachers,

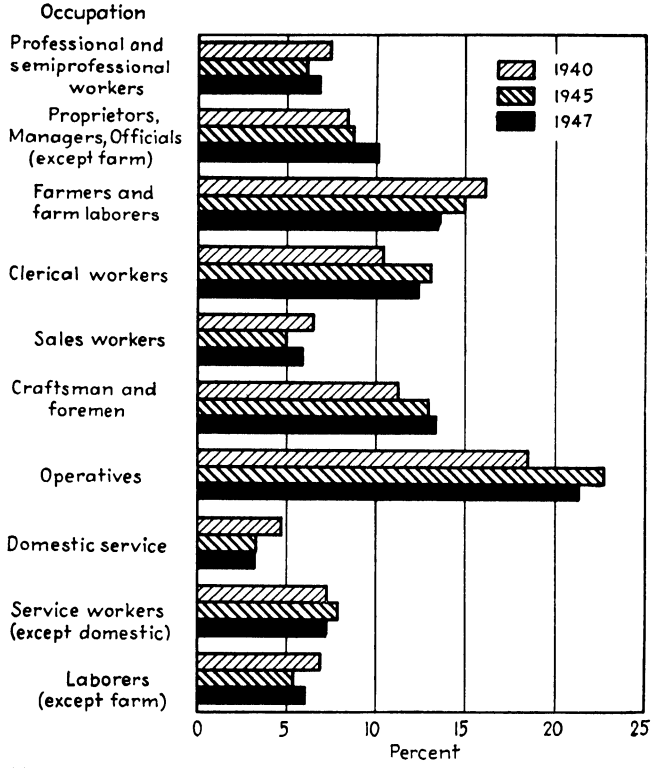

FIG. 2.5. Changing occupational structure, 1940, 1945, and 1947. (*From Monthly Labor Review, Vol. 65, No. 2, August, 1947, p. 146.*)

for example, are known to have moved into industry in large numbers in the period under consideration.

Anticipated changes in occupational distribution have great significance for vocational guidance. Hence, shifts such as those described deserve careful analysis as a basis for sound forecasts of future employment opportunities.

4.4 *Sex Distribution.* Manpower, it must always be remembered, includes women workers as well as men. Governor McNutt, director of the War Manpower Commission, is reported to have put this point more cleverly. While appearing before a congressional committee, he

was questioned by a charming female member of the committee. "Governor," she said, "you've been speaking continually of manpower. What about the women of our country?" "Madam," Governor McNutt is said to have replied, "in our thinking, manpower embraces women power."

The sex distribution of the labor force deserves consideration for several reasons. Some jobs are apparently performed more satisfactorily by men, while in others women are more proficient. Some jobs are generally regarded as inappropriate for women, usually because they involve heavy lifting. It is worthy of note, however, that women are employed in all major census industrial classifications and subclassifications. Generally speaking, women in the labor force are less mobile than men. They cannot be readily shifted from one job, industry, or locality to another. In part, this situation reflects their greater responsibilities in bearing and caring for children and maintaining the home. Women generally retire from the labor force at an earlier age than men. For these and other reasons, the sex distribution of the labor force has many implications, both for present and future manpower supplies.

Proportions of women in the labor force have grown steadily in the period since 1890. The comparative importance of males and females in census years for this period is summarized in Table 2.5. It is notable that the percentage of all males over ten years of age that is in the labor force has remained fairly stable (75.5 per cent in 1890, 78.1 per cent in 1900, 76.4 per cent in 1920, 74.5 per cent in 1930, and 72.9 per cent in 1940). Females, on the other hand, show steadily increasing participation. In 1890, 16.6 per cent were included in the labor force; in 1900, 18.4 per cent; in 1920, 20.6 per cent; in 1930, 21.4 per cent; and in 1940, 23.6 per cent. In April, 1945, approximately 38 per cent of all women 20 to 64 years of age were in the wartime labor force. Durand's forecast for 1950 indicates that some 15,800,000 women or 33 per cent of all those

TABLE 2.5. LABOR FORCE, BY SEX, 1890–1940[1]

Year	Total, thousands	Males		Females	
		Number, thousands	Per cent	Number, thousands	Per cent
1890 (June)	22,223	18,391	82.8	3,832	17.2
1900 (June)	28,416	23,212	81.7	5,204	18.3
1920 (January)	40,654	32,305	79.6	8,349	20.4
1930 (April)	47,635	37,166	78.0	10,469	22.0
1940 (April)	53,295	40,284	75.6	13,015	24.4

[1] Adapted from John D. Durand, *The Labor Force in the United States, 1890–1960*, New York, Social Science Research Council, 1948, pp. 208–209.

20 to 64 years old will then be in the labor force. By 1960, the number is expected to reach 18,200,000 or 37 per cent. In 1960, 29 per cent of the labor force will be female, as contrasted with 24 per cent in 1940 and 17 per cent in 1890.[1]

Women have found employment opportunities in all major industrial and occupational classes. They have, however, contributed particularly to the growth of clerical, sales, and service classifications. Proportions of women employed in sales grew during World War II and have continued to expand in postwar years. In 1940, one sales job in four was held by a woman; in 1947, the ratio was two to five. Women made up more than one-fifth of the "operatives" group in 1947, and more than one-fourth of all clerical workers. Their numbers were increased, over those employed in 1940, in all classifications except professional and semiprofessional, domestic service, and nonfarm labor.[2]

4.5 *Age Distribution.* The age distribution of manpower resources is also important. It has significance not alone for current requirements but for future needs. Some of the social problems associated with old age are to be given special attention in a later chapter. Here, attention is directed to present and prospective age factors affecting the size and composition of the labor force.

Age affects the labor force in several ways. Entrance into the labor force is largely a function of age, as is exit from that force. In addition, numbers of women of child-bearing age—or more precisely, numbers of women with young children—is a significant factor.

As has been noted, the age distribution of the population of the United States reflects the influence of immigration and the sharp limitation of immigrants after 1924. In earlier years, each year saw an increment added to the native population, an increment largely composed of persons in the younger working-age groups. Middle-age groups were thus increased. When restrictive measures stopped these annual additions, the bulges they had occasioned moved with the passage of time into higher and higher age groups. Hence, our population shows larger proportions in the higher age groups than would probably have appeared in the absence of such large numbers of immigrants.

The age distributions of both population and labor force in 1940 have been shown in Fig. 2.1. The chart distinguishes males and females. It clearly evidences effects of earlier immigration and the prospective effects of the low birth rate. The influence of aging is apparent. As a result, estimates indicate that the 55–64-year age group, which made up

[1] Changes in concepts of gainfully employed and labor force make difficult any precise comparisons from decade to decade.

[2] These observations on changes since 1940 are based on releases and bulletins of the Women's Bureau.

7 per cent of the labor force in 1890 and 10 per cent in 1940, will amount to 12½ per cent in 1960.

Changing participation by ages is influenced, as has been noted, by several factors. Among these, age of entrance into the labor force is important. The age at which young men and women first seek employment has increased steadily with passing years. Average age of entrance in 1940 was slightly less than 18 years. Proportions of young persons 14 to 19 years of age who were in the labor force declined by some 25 per cent from 1890 to 1940. Estimates indicate that by 1960 only 17 per cent of these age groups will be in the labor force. In 1930, 21 per cent of those from 14 to 17 years were in the labor force. By 1940, this proportion was reduced to 13 per cent. The significance of these changes, for the total labor force, is suggested by the fact that an increase in entering age in 1940 from 18 to 19 years would have reduced the labor force by some 4 per cent.

Earlier retirement also exerts a direct influence on the composition of the labor force. There has long been a notable trend toward earlier retirement. In 1890 some 66 per cent of all men 65 years of age and over were in the labor force. By 1940, this percentage had fallen to about 43. Estimates for 1960 indicate that probably only about 29 per cent will remain in the labor force by that time. Data with respect to women are not available, but their retirement appears to be more gradual throughout the working ages, so that no abrupt changes are to be expected.

4.6 *Geographic Distribution.* Manpower, in modern society, must frequently be utilized where equipment and productive facilities are located. Massive machines with which human beings frequently work in manufacturing and other productive processes cannot be readily moved. Hence, the geographic disposition of manpower is important. Skills may be much less useful if those who have these skills live in localities where there is no equipment with which they can be employed.

Entrepreneurs seek sources of cheap power and points that are close to sources of raw materials and markets for finished products. To some extent, manpower follows these movements of productive facilities. But it is also a factor in their movement, for the availability of skilled manpower is often a significant if not a determining factor in the location of a plant. Moreover, concentrations of population create markets for many services and products and thus influence the movement of industry.

For many practical purposes, in determining both public and private policy, detailed information on specific local labor markets is essential. For that reason, during World War II, the War Manpower Commission developed an elaborate classification of local labor market areas. Monthly reports indicated whether local supplies were adequate to meet current and prospective needs for various types of manpower. Since

that time, local offices of the public employment service have undertaken similar reporting.

Changes in the location of manpower resources are of obvious importance. Many such changes were arranged during World War II to meet the needs of war production. Some of those who moved at that time have remained in the localities to which they were drawn. Postwar labor shortages encouraged similar shifts. As a result, certain sections of the country have shown marked increases in local labor forces in recent decades, while others have lost manpower. Changes from rural to city occupations have been extensive and will doubtless continue as mechanization of agriculture reduces the need for manpower on the farm. Population is rapidly being urbanized and farms have continued to lose manpower.

The continuing trend toward urbanization is apparent in the data briefly summarized in Table 2.6. There it may be noted that in the

TABLE 2.6. RECENT AND PROSPECTIVE TRENDS TOWARD URBANIZATION[1]

	1940		1950		1960	
	Millions	Per cent	Millions	Per cent	Millions	Per cent
Total population	132 5	100	144 7	100	155 1	100
Urban	74.8	56 5	84 6	58 4	92 5	59 6
Rural farm	30 4	22 9	29 4	20 3	28 4	18 3
Rural nonfarm	27 2	20 5	30 7	21 2	34 2	22 0

[1] Census Bureau data from *Information Service*, Vol. 26, No. 26, Part 2, June 28, 1947. See also "Growth of American Cities in the Last Decade," *Statistical Bulletin*, Metropolitan Life Insurance Company, Vol. 21, No. 9, September, 1940.

twenty-year period to which these data are applicable, farm population has declined both in actual numbers and as a proportion of the total. Meanwhile, both rural nonfarm and city proportions have been increasing. Longer term comparisons show how far this reallocation of manpower has progressed. Thus, for example, in 1880, only approximately 27 per cent of the population was urban (in cities of 2,500 or more). In 1900, this percentage was 40; in 1930, 56.2; and, in 1940, 56.5.

More detailed data on the geographic distribution of the labor force and on continuing changes in that distribution are available from the *Monthly Report on the Labor Force.* They describe total numbers divided by regions as indicated in Table 2.7. Northeastern states include Maine, Vermont, Massachusetts, Connecticut, Rhode Island, New York, and Pennsylvania. North central states are bounded on the west by the Dakotas, Nebraska, and Kansas and on the south by Missouri, Illinois,

TABLE 2.7. GEOGRAPHIC DISTRIBUTION OF THE LABOR FORCE, 1940 AND 1947[1]

Section	March, 1940		April, 1947		Per cent growth, 1940–1947
	Numbers, thousands	Percentage of total	Numbers, thousands	Percentage of total	
Northeastern	15,910	29.3	17,345	29 3	9.0
North Central	16,520	30 3	18,246	30.9	10.4
South	16,270	29 8	16,510	27.9	1.5
West	5,760	10 6	7,019	11.9	21.9
Total	54,460	100 0	59,120	100 0	8.6

[1] From the Census Bureau, *Monthly Report on the Labor Force*, Series P-50, No. 6, June 21, 1948.

Indiana, and Ohio. All states below this boundary are in the South; all states west of those mentioned are in the West.

5.0 Dynamic Characteristics of Manpower Resources

As has been suggested, one of the most notable characteristics of manpower resources is their tendency to change constantly. The men and women who make up our population are always changing—changing jobs, industries, localities. They earn promotions to positions holding greater responsibility. They give up one job and seek another that they think they will like better. They are forced out by technological advances. They move about, to keep the family together, to seek greater opportunities, and to find better schools, improved housing, and other advantages. Age, skill, experience, and other important characteristics of manpower resources are constantly changing.

5.1 *Need for Current Inventories.* This dynamic nature of human resources makes their measurement and appraisal both more important and more difficult. The nation as a whole needs current, reliable information, and states and cities require similar information. An up-to-date inventory of manpower resources is at least as important as a similar accounting of natural resources. Both public policy and the plans of business managements and labor organizations should be based on reliable data describing the dimensions of local labor forces and such conditions as employment, unemployment, hours, wages, and earnings.

Steps have been taken to provide some of this information. The Federal Bureau of Labor Statistics provides indexes of employment and payrolls based on reports from a sample of local employers. Such indexes are, however, limited in scope and coverage. Public employment offices currently report on employment and unemployment in larger metropolitan centers, indicating whether, as a whole, the local market may be described as "tight," or having a "slight," "moderate," or "substantial" surplus. They may provide rough estimates of employ-

ment and unemployment and of rates of pay for a few occupations. All these reports leave much to be desired in coverage, in accuracy and reliability, and in detail, but their combined contribution represents a great advance in postwar years.[1]

5.2 *Manpower Reserves.* In any such inventory, attention should be directed, not alone to those who are employed, but also to manpower "reserves" or "potential." Such reserves may represent an important supplement to the recognized labor force, a supplement that includes a wide range of skills, aptitudes, and experience.

Manpower reserves include those who are able to work but have not, for one reason or another, entered or remained in the labor force. They include many married women engaged in housework, girls living at home, young persons who have not yet secured their first job, and older persons who have retired. Their potential services cannot be measured by any simple counting, for many of them could undertake employment for half days only or on certain days of the week. Yet their contribution in an emergency is not to be overlooked.

The Census Bureau estimated in 1942[2] (on the basis of the 1940 census) that such reserves included more than two million males 18 years old and over in school or not in the labor force for other reasons. These reserves also included 12.6 million women between 18 and 44 who were reported as engaged in home housework in urban and rural nonfarm areas, although a considerable number of these women, perhaps one-half, would be prevented from entering the labor force because of dependent children.[3]

6.0 Mobility of Manpower Resources

Some time-to-time changes in manpower resources reflect demographic and population factors—age and sex, for example. Others reflect the influence of cultural factors—customs with respect to the age of entrance into the labor force, the participation of women in economic activity, and other similar traditions. Economic conditions play their part, also, as depression and prosperity shift the scenes, and changing costs of various factors of production influence choices of entrepreneurs. Personal characteristics of members of the labor force are also significant—for example, the skills and experience of employees make possible their shifting from one industry and occupation to others.

[1] For a critical appraisal of some of these measures, see Yoder, *et al.*, *op. cit.*, Chap. II.

[2] Series P-9, No. 10, "Potential Labor Supply in the United States," Mar. 10, 1942.

[3] Research at the University of Minnesota found a reserve of potential employees amounting to almost 20 per cent of the local labor force. See Yoder, Paterson, *et al.*, *op. cit.*, pp. 100–103; see also Dale Yoder and Herbert G. Heneman, Jr., "Potential War Workers in an Urban Area," *Monthly Labor Review*, Vol. 55, No. 2, August, 1942, pp. 203–205.

All these types of factors influence the *mobility* of manpower, its movability or "shiftability" or adaptability. The degree or extent to which manpower is mobile is a most important quality of manpower resources. If manpower is relatively immobile—if all these factors combine to make changes infrequent and relatively unimportant—possibilities of improved utilization are thereby reduced. Manpower must, in such circumstances, continue to be employed in much the same manner as in the past. Innovations and improvements can be introduced only with great difficulty. If, on the other hand, manpower is highly mobile, then it can be readily shifted to jobs in which it is most efficient. New techniques and processes can be tried and more efficient allocations made.

Several kinds of mobility deserve note. Most obvious, perhaps, is *geographic* mobility, the quality that permits manpower to move from one locality to another. Limitations on geographic mobility reflect family ties, home ownership, and other similar circumstances. Manpower that is geographically mobile tends to move to areas where employment opportunities are best. It can go where wages are higher, where services are more valuable. Many problems of low wages and undesirable working conditions might be alleviated by greater geographic mobility of manpower. Availability of private automobiles in this country tends to create an unusually high level of geographic mobility in our labor force.

Occupational and *industrial* mobility—the qualities that permit shifts from one job to another and one industry to another—are equally significant. They are largely matters of skill, although they reflect many related conditions, including native abilities, opportunities for training, and others. Occupational or vocational mobility may be related to geographic mobility, for the fact that an individual can fit job requirements in several industries tends to provide a wider choice of localities in which he may find employment. On the other hand, limitations of skill may tend to restrict an employee to a single job and area. These types of mobility reflect the versatility and adaptability of manpower. They aid it in meeting changing technological and cultural conditions.

Mobility is not limited to changes within the labor force. It is reflected also in movement into and out of the labor force. Some such change is constantly in process and explains the accordionlike changes in size of the labor force. Mobility is also shown in movements into and out of employment.

All such mobility—geographic, industrial, occupational, into and out of the labor force and into and out of employment—is important in any assessment of manpower resources. As has been noted, a relatively mobile force has much broader possibilities of utilization than an immobile

force. At the same time, mobility may create serious social problems, as in situations in which manpower resources of a community are drained away by migration to another area or region or where large portions of the labor force become migratory labor, with no permanent homes or community relationships. A highly mobile labor force may be characterized by high *labor turnover*, as members try out various jobs and localities. Mobility may be so great as to be destructive of normal family life. Migratory workers may neglect schooling and may lose any sense of community responsibility.[1]

6.1 *Mobility and Frictions.* Many "frictions" in labor markets tend to reduce the mobility of manpower. Such frictions or sources of friction may be personal characteristics of employees, cultural patterns, laws, regulations, and traditions, or intentional interferences established by individuals or groups for this purpose. The term has been borrowed from mechanics, where it describes resistance to movement. Frictions are not, of course, confined to manpower; they affect the mobility of other factors of production as well.

"Personal" frictions consist of all the various individual characteristics that restrict one's mobility. Some of these traits, such as limitations on education, or experience, or skill, have their primary impact on occupational mobility. Or they may restrict entrance into the labor force or prevent employment. "Institutional" frictions arise from the effects of laws and administrative regulations and from customs or traditions. They may be illustrated by laws restricting the employment of women and children, or regulations on homework, or customs that bar women from certain industries or occupations. Some institutional frictions may be traced to private rather than public institutions. Managements may restrict movement by hiring practices that discriminate against certain ages. Unions may exert a similar restriction by limiting entrance to certain trades or by jurisdictional rules restricting the functions to be performed by employees. All such frictions exert important influences on the disposition and utilization of manpower resources and are, for that reason, of special interest to students of labor problems.[2]

QUESTIONS AND EXERCISES

1. Describe some of the complications necessarily encountered in any attempt to measure manpower resources.

2. What unit of measurement is best suited for use with manpower resources?

[1] For references to studies of mobility and for an excellent discussion of the problems and opportunities in such studies, see Gladys L. Palmer, "Research Planning Memorandum on Labor Mobility," *Pamphlet* 2, New York, Social Science Research Council, 1947.

[2] For greater detail, see Chap. V, "Frictions in Local Labor Markets," in Yoder, Paterson, *et al.*, *op. cit.*

3. Describe the relationship between quantities of manpower and quantities of productivity, or output.

4. How are manpower resources related to and different from population?

5. Why are supplies of manpower in individual labor markets frequently described as negatively inclined?

6. Describe prospective manpower resources of the United States and compare them with those of other nations.

7. Describe and explain the concept of an optimum population.

8. Define the term "labor force," indicating some of the problems encountered in such a definition.

9. How and why does the labor force of the United States fluctuate in numbers?

10. How have immigration, natural increase, and changing income levels affected dimensions of the labor force in the United States?

11. From what sources is information on current characteristics of labor force members available?

12. Describe types of labor market information available from the MRLF.

13. Describe important changes in the industrial distribution of the United States labor force in recent years.

14. What are the principal sources of variations in the size of the labor force?

15. Why are available data on current occupations of limited reliability and value?

16. How has the occupational distribution of the United States labor force changed in recent years?

17. Why do current reports on labor supplies fail to inventory experience and ability adequately?

18. How are sex and age characteristics of the United States labor force changing?

19. What industrial classifications are most important in our labor force?

20. What geographic shifts in the United States labor force have appeared prominently in recent years?

21. What is meant by "manpower reserves"?

22. Define "mobility" as the term is applied to manpower, and illustrate.

23. Describe the variety of shifts in labor supplies that are included as evidences of labor mobility.

24. How do "frictions" in labor markets create labor problems?

25. What are the principal factors that create frictions in labor markets?

Chapter 3

Historic Patterns of Manpower Conservation

1.0 Need for Perspective

Attitudes toward the development, disposition, and conservation of manpower as well as the techniques applied to attain these purposes have changed with passing years. To some extent, both attitudes and techniques have reflected changing systems of industrial production and distribution. They have been influenced, also, by the continued evolution of social, economic, and political philosophy.

In this chapter, the purpose is to provide background for the subsequent consideration of current points of view and objectives with respect to manpower and for understanding and appraisal of present-day manpower goals and problems. Perspective is obviously important in any such appraisal. It permits a clearer view of what is happening by alerting the observer to what has happened. Perspective assists the student in maintaining objectivity in his analysis of current policy and practice. It facilitates a "long" view of the current situation, a viewpoint divorced from the emotional accompaniment of immediate arguments and conflicts. The analyst may be better prepared to understand the current objective of higher living scales, for example, by reference to earlier experience and the stages through which we have arrived at present levels.

Moreover, many ideas and practices in the current scene are clearly related to earlier points of view and experience. Some of these attitudes and techniques that may have been reasonably adapted to the situations in which they were developed may be quite inappropriate today. They need to be labeled and related to these earlier conditions. Their limitations may become more apparent and the range of their usefulness more sharply and clearly defined by such comparisons.

1.1 *Changes in Goals.* It is important to recognize the fact that goals as well as employment conditions and techniques of utilizing manpower have changed. Many of the situations regarded as labor problems today have become problems only because goals have changed. They would not be considered as problems were it not for the fact that societies have established changed objectives Problems of long hours provide a ready illustration. Societies did not seek 40- or 35-hour work-weeks in periods when productivity was only a small fraction of today's output and

material living scales were close to subsistence levels. Such goals represent a comparatively recent development. Similarly, present-day problems of dependent old age reflect objectives with respect to the care of the aged that were not even suggested in many earlier periods.

Changing goals represent data of the greatest importance to the understanding of current labor problems. Moreover, the process by which such changes occur deserves careful consideration by social scientists. It is not enough to take the goals for granted and to define the function of social science as assisting societies to work toward the goals they have established. A statement of the purpose of social science that holds the major function to be laying a basis for "predicting" or "controlling" behavior toward the attainment of accepted goals is inadequate and incomplete. The goals themselves are important subjects for study and understanding. The processes by which social objectives are selected, modified, and developed deserve critical attention from social scientists.[1]

1.2 *Conflicting Goals.* Study of the background of modern labor problems may also focus attention on frequent conflicts of goals. Goals selected and advanced by one group—one community, one political party, or one nation—may be opposed by others.

As has been noted in Chap. 1, some goals have been formally accepted and proclaimed in statements of public policy which are made a part of legislation. Significant illustrations may be found in declarations approving collective bargaining in several Federal statutes or in that proclaiming the nation's interest in maintaining employment at high levels which appears in the Federal Employment Act of 1946. Other goals that have general acceptance may not have received such formal announcement. Thus, for example, there is general agreement on objectives in raising levels of income and scales of living, in reducing industrial strife, in preventing industrial accidents, in improving health, and in ensuring a minimum level of schooling for children.

There are other goals, however, upon which no general agreement has been reached. Moreover, there are differences of opinion as to which goals deserve highest priorities. In our present-day society, for example, some groups champion old-age security, while others seek to advance "jobs for all," wages "to each according to his need," greater restrictions on child labor, elimination of the competition of prison labor, employee "solidarity," greater "responsibility" for unions, guaranteed employment or wages, and many other special objectives. Some of these goals conflict with others, so that societies may be divided by the campaigns of those who seek to secure support for their special interests. It may be

[1] See, in this connection, F. H. Knight, "Salvation by Science," *Journal of Political Economy*, Vol. 15, No. 6, December, 1947, pp. 537–553; George A. Lundberg, *Can Science Save Us?* New York, Longmans, Green & Company, Inc., 1947.

difficult, at any particular time, to determine what goals have actually achieved acceptance by a controlling portion of the society, which explains why situations that are regarded as labor problems by one group may not appear as "problems" to another.[1]

1.3 *Changing Economies.* Two factors appear most prominently in any explanation of these changing goals. One of them involves the evolution of economies—the systems of production and distribution by means of which societies seek to satisfy their material wants. The other is the accompanying change in political philosophies—attitudes toward political organizations and structures and toward the citizens who are governed by these arrangements.

Changing manpower objectives are much more understandable in terms of the history of economic development. Many goals that were appropriate in the simple economies of pastoral or hunting and fishing stages can scarcely be expected to appear sensible in the modern era of mass production. In any rapid survey such as must be made in these pages, major attention inevitably turns to the far-reaching modifications introduced by the industrial revolution. Changes occasioned by the shift from handicraft to factory production were so drastic that they affected both the actual disposition and utilization of manpower and the attitudes and objectives, with respect to manpower, of all industrialized societies. Changes in the system of production required far-reaching changes in the application of human resources. Such changes appear to have been explained or rationalized in the economic and political theories that accompanied them.

Mass-production techniques developed in the industrial revolution made it possible for societies to attain many of the objectives established in earlier periods. At the same time, increasing productivity appeared to justify the establishment of new, more ambitious goals. The industrial revolution thus provided the solution for some labor problems and created new problems to be solved. The influence of the revolution on goals deserves careful attention.

1.4 *Changing Political Philosophies.* The second of the major factors to be considered in seeking an understanding of evolving manpower goals consists of the social and political theories to which historic goals have been related. They represent the patterns of thought into which these particular goals must be fitted. They describe attitudes toward the purpose and function of societies and their members. Attitudes toward

[1] There is an interesting field, deserving careful study, in this area of the conflict of goals. How are such objectives developed and communicated? Are all these decisions best made through political channels, or should there be an important place for expertness, for study and research, and for leadership in goal determination?

employment relationships represent an important part of the larger pattern.

That such philosophical settings have exerted great influence on the disposition and utilization of manpower may be taken for granted. Human resources must have been regarded quite differently, for example, in the period when the pyramids were built from the attitude prevailing at the present time. Manpower was expended with such abandon as has not been evident in all the years since that time. In contrast to this example, reference may be made to attitudes prevailing in Germany during the closing years of the nineteenth century. There, manpower was paternalistically protected at the same time that its freedom of job choice and movement was restricted. These policies reflected the prevailing philosophy expounded by Bismarck, in which manpower was regarded as a wholly owned but highly valuable resource of a paternalistic state.

2.0 Historic Stages in Economic Evolution

Most descriptions of the long process of development by which primitive economies were expanded and modified until they have taken on the forms of modern industrialism have followed the example of Bucher in describing five distinctive stages in this process. The first is that of *direct appropriation*, popularly termed the hunting and fishing stage. The second is the *pastoral* stage, in which economic activity centered about the tending of herds. The third and fourth are *agricultural* and *handicraft* stages, respectively. They are followed by *industrial capitalism*, which has continued down to the present time. The series is characterized by the successive development of increasingly complex economic organizations to meet continually expanding human wants. Improved facilities for satisfying wants have continually increased the number and variety of wants to be satisfied, and these, in turn, have required more extensive and complex production systems. This process may be illustrated by brief comparison of the economies characteristic of the more recent of these stages.

2.1 *Early Stages.* In the *agricultural* stage, major attention was given to the cultivation of farm lands. The stage was characterized, in its later years, by that extensive agricultural organization of society usually described as the *manorial system*, in which vast estates, independent and largely self-sustaining economies, were operated by the lords of the manors and their coteries of serfs. There was a significant division of labor, and, for the first time, a distinctive working class appeared. In earlier periods, jobs had been allocated among members of a family, but no distinctions separated classes made up of those who worked from those

for whom they worked. In the agricultural stage, a class made up largely of agricultural employees known as serfs and villeins appeared. The latter were obligated to serve the manorial lord in return for protection against outside enemies, an allowance of food, and the provision of crude shelter for themselves and their families. They were neither independent laborers nor slaves. Their position was thus distinctly different from any status accorded employees today.

Specialization in this period also developed a small class of artisans. While serfs tended land and herds, others who were more or less skilled performed the simple manufactures of the time. Their status, however, differed in at least one essential detail from that of modern employees. Their wage was not competitively determined, nor did it depend upon the comparative bargaining power of organized employers and employees. Wages were generally determined by influential church authorities, who applied a doctrine of "just price," in which the proper level of wages was regarded as that which would enable artisans to live, to rear their families, and to maintain their existing social and economic status. The static economic position thus assigned to such employees was responsible for widespread dissatisfaction in later years when organizations of employees sought to secure improvements in living scales.

Manpower was generally regarded as relatively unlimited in quantity during this period. Shortages of manpower were recognized only when military campaigns caused abnormal demands. In peacetime, there was little concern as to adequacy of supplies or levels of utilization. Moreover, being cheap, manpower was readily expendable. Little consideration was given either to personality development or political participation for employees.

2.2 *Handicraft Production.* The *handicraft* stage appeared when agriculture, trade, and industry became distinct and specialized in the late Middle Ages. Trade and nonagricultural production had grown in importance. Human wants had expanded as new values were made available from foreign lands. Numbers of those engaged in nonagricultural production and in trade had multiplied. Independent artisans were well established as an important element in the economy. The function of merchants or traders took on added significance.

The system of production that characterized this stage has sometimes been called the *domestic system*, because the household served as the usual industrial unit.[1] A master craftsman brought to his home whatever number of journeymen or "day laborers" (so-called from the French *journée*, meaning *day*) his volume of production required. He furnished lodging also for the apprentices whom he trained. Journeymen and apprentices

[1] See Melvin M. Knight, "Handicrafts," *Encyclopedia of the Social Sciences*, Vol. VII, pp. 255–260; "Guilds," *ibid.*, pp. 204*ff*.

made up his labor force. He bought raw materials from local merchants or traveling traders. He disposed of finished products to the same or other members of itinerant groups and to consumers in his own community. His establishment was a small, self-sufficient plant in which manufacturing, in the literal meaning of the term, was carried on.

2.21 *The guild system.* Within this hand-working system, with its craftsmen, journeymen, and apprentices, the guild system developed. There were two types of guild organization, *merchant guilds* and *craft guilds.* The former included dealers in each locality who bought and sold raw materials and finished products. They appeared as early as the beginning of the eleventh century in Italian cities and other centers of commerce. They were usually organized on a community basis, thus becoming a sort of neighborhood chamber of commerce. In return for special favors to the Crown in England, these associations were frequently granted monopolies of trade in their communities. They set standards of quality, established prices, and cooperated to restrict activities of traveling merchants.

Craft guilds were generally organized on the basis of the material on which they worked. Hence, specialized skills became the criteria of membership. They appeared in the twelfth century in France, a bit later than the similar organizations of merchants. They united masters, journeymen, and apprentices of numerous domestic establishments in each locality. The first of these organizations was probably that of the weavers, but craft guilds soon appeared in a wide variety of trades.[1] They sought to maintain standards of quality in workmanship, to reduce competition, and to control prices of the goods they produced. Their membership usually included all local craftsmen in the trade, which made their control highly effective.

The guild structure tended to secure more recognition of the importance of manpower than had been the case in earlier production systems. It focused attention on skill as a limited resource. It gave status to both employers and employees, for it created a status system in production. At the same time, small production units facilitated close personal relationships between employers and employees. The intimate contacts

[1] E. P. Cheyney, in his *Introduction to the Industrial and Social History of England* (New York, The Macmillan Company, 1921, p. 55), says, "The Weavers seem to have been the earliest occupation to be organized into a craft guild; but later almost every form of industry which gave employment to a handful of craftsmen in any town had its separate fraternity. Since even nearly allied trades, such as the glovers, girdlers, pocket makers, skinners, white tawyers, and other workers in leather; or the fletchers, the makers of arrows, the bowyers, the makers of bows, and the stringers, the makers of bow-strings, were organized into separate bodies, the number of craft guilds in any one town was often very large. At London, there were by 1350 at least as many as 40; at New York, some time later, more than 50."

of master and employee that featured the handicraft system encouraged a sympathetic attitude and a personalization of relationships.

The fact that journeymen and apprentices of the handicraft period looked toward the time when they should be master craftsmen is also noteworthy. Their subordination was temporary. There was no class of permanent wage earners. There were, therefore, added incentives to justify serious attention to work. Employed classes could overlook frequent hardships as journeymen and apprentices in view of the future, when they should be masters. Not all masters, of course, exhibited the friendliness and sympathetic interest that have often been described as typical under the system. Real drudgery and abject servitude characterized the conditions imposed upon some apprentices. Moreover, hours of work were long. There appears to have been little thought of manpower as a resource to be conserved or recognition of the desirability of full-scale personality development. Lack of interest in working hours or in public controls over working conditions is notable in this connection.

3.0 The Industrial Revolution

The *factory system* of *industrial production*, the fifth and last stage in Bucher's classification, followed this age of handicrafts. It appeared, however, only as a result of that far-reaching series of changes known as the *industrial revolution.*

Toynbee has described this transformation as beginning in 1750, but it is doubtful if any date can be declared to mark its exact inception. The changes it included were extensive and numerous. They did not all take place at once. Although usually referred to as the industrial revolution, they involved no sudden or abrupt substitution of one economic system for another. Three rather distinct steps mark the transition from handicraft production to the modern factory system. These intermediary steps include (1) the emergence of journeyman or yeomanry guilds; (2) the widespread adoption of the "putting-out" system of merchant capitalism; and, finally, (3) the transition to industrial capitalism. If there is any point in the process where the change may be described as revolutionary, *i.e.*, changing the whole social order, it appears between steps 2 and 3, in the transition from the putting-out system of trader capitalism to that of industrial capitalism.

3.1 *Journeyman Guilds.* The first step was the natural result of economic development and expansion. As tools were improved, new technical processes discovered and perfected, and man-hour production increased, surpluses of certain products appeared. Greater capital became necessary to set up a shop. When competition became keen and overproduction threatened, the masters combined to prevent further

additions to their numbers. They encouraged guilds to assess increased initiation fees against journeymen who sought to become masters. Masters enforced regulations against the initiation of aliens and those not born into their guilds. At the same time, the invention of more complicated machines necessitated greater capital outlays for those who wished to become masters. These barriers created a new class of journeymen who were unable to become masters and who were forced, therefore, to continue as employees. They were naturally dissatisfied, and large numbers of them banded together to secure additional concessions from the masters. Their organizations were known as yeomanry or journeyman guilds. They appeared first in the early part of the fourteenth century.[1]

Efforts to prevent such organization were made by the masters, who were influential in town politics, but the new guilds persisted and some of them attained the right to conclude collective agreements with masters and organizations instituted by the latter. As early as 1350, masters made complaints against the power of these new associations. The latter, it may be noted, represent legitimate forebears of modern trade-unions, for they are the earliest large-scale organizations of independent employees.

3.2 *The Putting-out System.* The second step in the industrial revolution is similarly attributable to increasing complexity in economic organization. Markets expanded and trade increased in volume. England found an increased demand for her products in Europe and in the American colonies. Exports from Great Britain doubled between 1720 and 1760. As markets expanded and trade increased, master craftsmen found it difficult to secure enough raw materials and to dispose of products in local markets. As more distant domestic and foreign markets became increasingly available, craftsmen came to lean more heavily upon the services of traveling traders. The latter, in turn, extended the circle of their operations. They became equally indispensable to local crafts-men and to importers of foreign goods, including raw materials. At the same time, the commercial successes of large trading corporations organized to exploit the resources of the New World, of which the English and Dutch East India companies are the most widely known, set a notable example of profitable *trader capitalism* for individual merchants.

As the function of traders increased in significance, their opportunity for profit also grew. Some of them, having accumulated a reserve of capital, saw the possibility of adding production to their trading function. They extended their entrepreneurship to include the risks of production as well as those of trading. They established what became generally

[1] W. Cunningham, *The Growth of English Industry and Commerce during the Early and Middle Ages*, New York, Cambridge University Press, 1896, 3d ed., pp. 442, 448.

known as the putting-out system, in which traders secured raw materials and delivered them to a number of masters, who were employed to transform them into finished products. The trader later collected the finished goods and sold them to merchants throughout his territory or traded them at the seaports for foreign materials. Sometimes he furnished local shops with tools as well as raw materials. The work performed in a master's home under this arrangement was customarily paid for on a piecework basis. The trader paid the master, and the latter compensated his employees. The changes thus introduced were far-reaching. Masters were no longer entrepreneurs; they had become wage earners in almost the same position as the journeymen of the handicraft system.

Meanwhile, many additional forces contributed to the breakdown of the guild system. More numerous and improved highways made restriction of competition within individual localities more difficult than when villages were relatively isolated. The growth of national power, as contrasted with that of local territorial units, modified notions of local loyalty and allegiance. At the same time, the growing influence of national governments reduced the numbers and perquisites of manorial lords and encouraged the disintegration of their holdings. Influential traders sought and secured favors from the government and bought trading privileges formerly reserved to local merchants. Discovery of new markets called for more extensive production than appeared possible under the guild system. There was a continued accumulation of capital that could be and was used to establish larger production units and to provide machines to replace earlier hand tools. All these factors combined with the invention of new machines, more efficient means of processing iron and steel, and the harnessing of new sources of power, to hasten the passing of the handicraft system.

3.3 *Industrial Capitalism.* It remained for a single further step to complete the transition from handicraft to factory production. That step involved the actual establishment of factories. There were numerous journeymen who were financially unable to set up their own establishments and who therefore provided a relatively large wage-earning class. Many masters were fast becoming wage earners under the putting-out system. Complex machines and power sources were available and ready to serve anyone who had sufficient capital to bring them together and put them to work. These new devices required, however, that large numbers of employees be brought together in one producing unit. Trader capitalists and others who had amassed wealth and who visualized the possibilities for profit in this situation soon took the steps it suggested. They provided tools and workhouses, locating these factories at points where power was least expensive. They employed

masters, journeymen, and apprentices, and they also hired numerous women and children, whom they found quite satisfactory as operators of newly developed machines. These employers were the first industrial capitalists. They had substituted for trader capitalism, in which the financiers of industry took raw materials to the processors, a new system in which employees came together where power and employment were available.

No exact date for this transition is possible. A merchant named Lombe, after working in an Italian silk mill, set up a similar plant in Derbyshire in 1718. That unit is sometimes said to have been the first English factory. Arkwright's patent on the water frame, issued in 1769, and the first use of Watt's engine in a cotton mill in 1785 may be regarded as significant signposts of the period.

3.4 *Changed Status of Employees.* The revolution made wage rates the accepted type of remuneration for employed manpower. It almost eliminated the apprenticeship system, and it reduced numbers of small entrepreneurs, throwing almost all craftsmen into the class of journeymen. In only those trades where machines could not be substituted for men could systems of apprenticeship persist and domestic production continue. Payment by the day or week became the generally accepted method of compensation for labor.

Women and children were frequently as effective in tending machines as skilled craftsmen. They were often preferred by employers, for they were less critical of their products, having no long-established standards of craftsmanship. They adapted themselves easily to machine-tending positions. For the most part, they had no troublesome traditions of independence, personal pride in the quality of product, or organization for mutual aid in dealing with employers.

Race and nationality also lost some of their significance as factors differentiating individuals seeking employment. When journeymen and apprentices lived together in the home of the master craftsman, these factors appeared to be of greater significance. Wage rates reflected this change of attitude and tended toward greater uniformity.

As a result of specialization of function, the jobs of many employees became more monotonous than before. Operations assigned to individuals were frequently simple. Repetition and attention to the needs of the machine were prime requisites of the new processes, and adventure, novelty, and the thrill of artistry and quality in creation were reduced in importance. This process of specialization and simplification has continued up to the present time.

The whole evolution did little to enhance the status of labor. Although there were great increases in demands for manpower, supplies were also expanded by the inclusion of women and children in the labor force.

Actual scarcity of manpower was unusual, so that neither efficient utilization nor long-term conservation became matters of wide public interest. The relatively complacent attitude of the period toward such considerations is clearly evident in the lack of concern over living and working conditions and the absence of democratic political participation.

3.5 *Urbanization.* Movement toward cities was an inevitable accompaniment of the development of factories. Under the system of handicraft production, manpower was distributed throughout small villages or in rural areas. When the factory became the common production unit, it was necessary for employees to live where they were readily accessible to the machines and power sources that were essential to the factory system. Machinery and sources of power to operate it are relatively immobile. They cannot generally be taken to the homes of employees. Naturally, therefore, the advent of the factory system occasioned an extensive population movement to towns and cities.

Concentration of population in such centers was responsible for a number of new social problems. Housing of large numbers of poor people in close proximity to their work presented one important problem. Inevitable crowding resulted in serious hazards to normal family life, to moral codes, and to health. Problems of crime, contagious diseases, inadequate sanitary facilities, vagrancy, and urban poverty became increasingly important as large proportions of the population became city dwellers.

3.6 *Population Growth.* Along with urbanization, there appeared a distinct tendency for population to increase at a more rapid rate than was true in preceding periods. There are several reasons for this condition. The factory system stimulated a rather sudden increase in family incomes arising out of the profitable employment of women and children. This condition was accompanied by a rise in the birth rate. As students of population growth have observed, abrupt increases in family income are often so reflected, especially among people of comparatively low cultural levels. Even more important, however, is the fact that the period of the revolution was also characterized by a significant reduction in death rates, especially those of infant mortality Vital statistics are, of course, not complete, but at least one historian has concluded that the population increase can be entirely accounted for by the fall in death rates.[1] Finally, the system of poor relief utilized at the time and generally associated with the "Speenhamland Act" provided allowances adjusted for family size and thereby gave encouragement to larger families.[2]

[1] M. C. Buer, *Health, Wealth and Population in England, 1760–1815,* London, George Rutledge & Sons, Ltd., 1926, Chap. III.

[2] See Joseph L. Cohen, "Allowance Systems," *Encyclopedia of the Social Sciences,* Rutledge, 1st ed., Vol. II, p. 7.

3.61 *New social classes.* The new industrial organization introduced a somewhat changed social order, with a new system of social classes. As time passed, independent master craftsmen were forced out of business by the competition of cheaper, factory-made products. They and the journeymen and apprentices who were associated with them were forced to accept employment as factory employees. There was thus instituted the largest single occupational classification in modern societies, that made up of those who are dependent for their livelihood upon wages earned by tending machines. The emergence of this *industrial proletariat* is one of the most spectacular developments associated with the revolution.

Another comparatively new class appeared at the same time, a class made up of industrial capitalists, the owners of factories and the employers of manpower. This new class included trader capitalists and some former master craftsmen who were able to secure funds to provide machines. The two classes of employers and employees were far more distant than their predecessors in the employment relationship. The industrial revolution substituted for the personal contacts of the guild system what Toynbee calls a "cash nexus." This wage connection is widely assumed to be the subject of greatest mutual interest to factory operators and operatives, although that assumption should not be allowed to obscure other bases for cooperation in modern industrial relations.

3.7 *Changing Capital-Manpower Ratio.* As economists have long observed, capital equipment is both a supplement to and a substitute for labor. In a period characterized by expanding markets for products, if labor's efforts are augmented by increased amounts of capital available to each employee, that growth in the capital-manpower ratio may significantly increase their combined output. Emergence of the factory system represented a rapid expansion of capital facilities. This development encouraged employment of additional manpower, partially explaining the widespread employment of women and children. It tended, at the same time, to increase the output of individual employees, thus permitting somewhat higher wages.

On the other hand, as owners invested and managements became responsible for larger amounts of capital, their interest in continuous and efficient operation was necessarily increased. Their concern for the convenience and welfare of employees suffered from this change. Under such circumstances, pressure for continuous, high-speed operation of equipment created new health hazards for employees. Thus the same factor that increased the output and earnings of manpower became a threat to its protection and conservation.

3.8 *Changed Scales of Living.* Description of these industrial and social changes that accompanied the industrial revolution may easily prove

misleading. It is often interpreted to mean that scales of living declined as the factory system became more common. That there was some loss of social status and of earning power on the part of craftsmen cannot be denied, although the necessary adjustments and adaptations were much more gradual than is sometimes suggested. On the other hand, there are many indications that earnings and scales of living as a whole were improved.

Poverty was widespread long before the appearance of the technological changes that featured the industrial revolution. Severe depressions accompanied by widespread unemployment were also a problem. In 1680, for instance, those dependent upon charity for part of their annual income made up at least one-half of the English population. No more serious condition followed the revolutionary transition. Real wages of English employees increased in every decade from 1790 to 1900 except for the years of the Napoleonic Wars, when capital was destroyed more rapidly than it was created.

Increasing dependence of employees on employers under the factory system is also easily exaggerated. Adam Smith is authority for the statement that, in the period preceding 1775, for every independent artisan there were 20 dependent upon employers for their livelihood. That condition may be contrasted with the present situation in the United States, where, if agricultural employees are excluded, the ratio is about 10 to 1. Such averages do not, of course, tell the whole story.

Similarly, the conception that the revolution resulted in widespread misery and disease is readily overemphasized. Industrial health hazards were widely prevalent and generally recognized in the handicraft period. The period of the revolution was featured by several important steps to improve the health of employees and their families. Proportions of infants dying before reaching the age of five years, for instance, is estimated to have fallen from 74.5 per cent in the period from 1730 to 1749 to 31.8 per cent in the years from 1810 to 1829. The death rate in London was reduced 40 per cent, from 50 per 1,000 to 29 per 1,000, in the period from 1750 to 1811. These are but illustrative evidences of numerous significant advances in health that characterized the period of the revolution.

Moreover, it may be noted that the idea of freeing women and children from the necessity of long hours at arduous employment may be credited to this period. This objective is directly traceable to the increased earnings of labor made possible by the technological advances associated with the revolution.[1]

[1] See in this connection Vervon Orval Watts, *Why Are We So Prosperous?*, Minneapolis, Burgess Publishing Co., 1938.

3.9 *Increased Social Distance.* Among the most persistent problems created by the industrial revolution, that of employer-employee communication and maintenance of a community of interest deserves special mention. The revolution greatly increased the "social distance" separating employer and employees. In so doing, it tended to make the community and identity of their interests less evident. To this change many present-day industrial relations problems may be traced.

In the handicraft period, an employer spent all working hours in direct, face-to-face contact with his employees. He knew their personal problems, and, equally important, they knew his business as well as personal problems. The significance of their action affecting quantity or quality of output was readily apparent to all. They looked forward, as has been noted, to owning their own workshops. They were, for that reason, concerned with managerial and entrepreneurial problems.

In the factory, much of this similarity of interests and viewpoint disappeared. Personal problems of employees might be shared with fellow-employees, but they were less likely to come to the attention of employers. On the other hand, employees had little opportunity to learn of the problems facing managers or owners. They could observe little relationship between their interests and those of employers. They foresaw little prospect of moving into the ranks of owners or managers and had, therefore, little concern for managerial problems. The new system thus created a chasm between those who worked for wages and those who employed them. Bridging that chasm has proved to be one of the most difficult problems of the modern era.

4.0 Changing Political Philosophies

Changes in local and national economies described in preceding paragraphs were accompanied by a revolution in social ideas and ideals. Changes in social and economic structures effected in the industrial revolution were reflected in equally significant developments in economic and political philosophy. Ideas of individual rights and privileges, of political objectives, and of the social obligations of business and industry underwent comprehensive modifications, especially during the period of the revolution and the years that followed emergence of the factory system.

In the later medieval period, political economy, if the economic thinking of the times may be called that, was concerned chiefly with the economic welfare of small local political units, the principalities of the day. The economic doctrines of this time are generally known as *cameralism*, because their objective was to secure maximum benefits for a prince's treasury or *Kammer*. As this philosophy and viewpoint came

to be accepted on the Continent, they were applied to the economic programs of new *national* political units. Their major concern became the welfare of *national* treasuries, and they became widely known as the doctrines of *mercantilism.*

The mercantilist school of thought insisted that there were definite economic laws of which alert nations should take advantage, that to ignore these principles was to court national economic disaster. Social regulation of commerce and industry down to minute details was regarded as essential. Detailed control of all imports and exports was necessary, for example, in order to secure and maintain a favorable "balance of trade," in which the excess of exports over imports would pour additional gold and silver into the nation. Great value was attached to possession of precious metals. Foreign trade was, for this reason, considered more desirable than domestic, for domestic trade could not increase the nation's stock of gold. Similarly, industries of transformation, of manufacture, were held to be more beneficial than extractive industries such as agricultures and mining, because the former created new values, while the latter operated continually to reduce supplies of future wealth.

This mercantilist doctrine was most powerful during the seventeenth century. Bodin, Laffemas, and Montchretien in France and Misselden, Pollexfen, and Thomas Munn in England are among its most famous advocates. The latter's treatise on *England's Wealth by Foreign Trade* is one of the best-known expositions of mercantilist philosophy. This point of view continued to exert a gradually waning influence until the middle of the eighteenth century and was an important factor in setting the stage for the changes occasioned by the industrial revolution. Even today many mercantilist ideas are apparent in current economic attitudes, although the system as a whole has lost its following. The emphasis on a "favorable" balance of foreign trade, for example, persists and continues to create serious international problems.

During the 1700's, the mercantilist doctrine began to lose support. Colbert described regulation as "a crutch with which the sound limb dispenses." A new philosophy, opposed to mercantilism, appeared in France. It was known as *physiocracy.* Physiocrats held that (1) there are natural laws underlying economic activity that must not be ignored; (2) all wealth actually comes from the soil; and (3) most efficient and extensive production is to be secured only by greatest freedom of trade. Application of these principles led to conclusions that are diametrically opposed to the policies and practices of mercantilist assumptions. Proponents of the newer doctrine argued that, since national welfare is promoted by individual freedom, regulations imposed by mercantilism work against rather than toward desired objectives.

This physiocratic, laissez-faire school was led by Quesnay, Vauban,

Boisguillebert, Mirabeau, Mercier de la Rivière, DuPont de Nemours, and Baudeau in France, and by Hutcheson, Hume, and Adam Smith in England. The point of view represents a distinct reaction against the detailed regulation dictated by mercantilism. According to this newer theory, since wealth could only be exchanged—not lost or dissipated by trade—there was little justification for regulating the latter in any way. On the contrary, the welfare of a nation might best be served by allowing individuals to take whatever steps are personally most advantageous. Government, therefore, should be relegated to as meager a sphere of activities as possible. Its functions should be limited to the maintenance of defense and peace, the dispensation of justice, representation at foreign courts, and a few lesser services. Adam Smith provided the classic statement of this philosophy of the desirable relationship between individual freedom and group welfare, in his declaration that there is "an invisible hand" that leads the individual, in his efforts to benefit himself, inevitably to further the economic interests of his society.

4.1 *Emphasis on Individuals.* Emphasis upon *laissez faire* and individual freedom, like the slogan of "rugged individualism" of modern times, carried many important implications as far as social and economic policies were concerned. It formed the basis in political theory that justified French and American revolutions. It was argued that, since the individual was of most significance to the state, he should have most to say about the state's objectives and the program adopted for their attainment. His rights and privileges became, in the opinions of numerous philosophers, including Locke, Rousseau, Montesquieu, and others, the primary concern and object of all social organization. Societies were described as contractual relationships of sovereign individuals. From such philosophy was derived the American conception of inalienable rights expressed in the Declaration of Independence and the French revolutionary slogan, "liberty, equality, and fraternity."

4.2 *Governmental Policy.* This philosophical position, according to its exponents, explained and frequently justified existing economic conditions. Wealthy and politically dominant classes were justified in their casual acceptance of the misery, social disorganization, and distress that frequently characterized early factory communities. National welfare required continued governmental aloofness. No regulation was desirable, since factory owners and employees as well would contribute most to national welfare if left to their own devices. Legal regulation of apprenticeship was regarded as inappropriate, as were provisions for the fixing of wages by governmental authority. At the same time, efforts of employees to band themselves together were strenuously opposed because of the restrictions they imposed upon the individual liberty of both employees and employers. Common-law rules of civil

and criminal conspiracy were invoked to prevent such organization. A long series of laws known as "combination acts," culminating in that of 1799–1800, declared that covenants among employees or employers that could be construed as restraint of trade were illegal.

4.3 *Malthusian Population Theory.* The laissez-faire viewpoint was further strengthened when, in 1798, there appeared anonymously the first edition of T. R. Malthus' *Essay on Population.* According to Malthus, population tends always to increase up to the limits of subsistence. The limit of possible population growth is the human power of reproduction, and actual increase continues as rapidly as means of subsistence permit. Population is thus expanded to the point where *positive* and *preventive* checks operate to restrain it. Positive checks include disease, war, famine, poverty, and unwholesome work. They are positive in the sense that they reduce existing numbers. *Preventive* checks include vice and what is described as "moral restraint." They operate to prevent the birth of additional individuals and indirectly, therefore, to restrict numbers. Malthus described his conclusions as a natural *law of population.*

Social and economic implications of his statement were frequently cited in defense of the *status quo* and in opposition to proposed reforms. From the Malthusian statement, increases in population accompanying the industrial revolution were inevitable, for they resulted from additions to the means of subsistence, such additions being composed of the fruits of increased productivity. Similarly inevitable were the misery and distress of the period. They arose as checks by which population was prevented from actually reaching limits of subsistence. Since these conditions were inevitable results of the operation of natural law, no one could properly be criticized for their appearance. Employers could not be blamed if employees increased until their wages provided a mere subsistence. Neither could communities be held responsible if citizens chose to increase until they were forced to reside in overcrowded tenements.

Social problems created by the factory system were thus condoned and regarded as inescapable. The Malthusian hypothesis soothed the consciences of sensitive citizens and tended to prevent societal action to remedy even the most distressing situations.

With the passage of time, employees, socially minded citizens, and conscientious employers came to recognize the fact that unlimited laissez-faire policies were creating problems at least as serious as those they solved. It became clear that some regulation of individual economic activity was essential in the interests of social welfare and social progress. Since that time, regulation has become increasingly common. The factory system was, however, born in a period dominated by laissez-faire philosophy. It continues to bear many imprints of that era.

5.0 The Industrial Revolution in the United States

American industrial development is frequently described as having recapitulated the evolutionary stages described by Bücher as typical of society as a whole. It is said that, since its discovery and colonization, the American continent has developed, in rapid succession, eras of hunting and fishing, the pastoral stage, agriculture, handicraft production, and industrial capitalism.

Some such parallelism in the United States is evident, although several of the stages were limited in their scope to particular areas Economic activities of early colonists have many of the characteristics of the stage of direct appropriation, as do those of the Indians who occupied most of the country at that time. As time passed, the pastoral stage was reenacted. An agricultural era, typified by the manorial system, developed in the South, where Negro slaves took the place of serfs and villeins. The handicraft system prevailed throughout the New England section prior to and at the time of the American Revolution.

For the American continent as a whole, the recapitulation is more obvious. Considerable portions of Central and South America, as well as the far north, still retain the characteristics of hunting and fishing and pastoral stages. Handicraft production is still the prevailing industrial structure in many isolated areas. Its products represent prized curios wherever tourists go.

Although the process has been reenacted in this country, early stages extended over no such lengthy period as they had occupied in England and upon the continent of Europe. Consequently, none of them became so fixed in custom and tradition. Change from stage to stage did not, therefore, occasion the same degree of disorganization as had featured the process in England.

5.1 *Early American Factories.* The factory system appeared in America somewhat later than in England. There are several reasons why the development of factories was thus delayed. Most important is the fact that England and other colonizing nations took definite steps to keep colonies free from manufacturing and thus to maintain them as customers for manufactured products. According to the mercantilist "balance-of-trade" theory, which dictated most of the political policies of European nations during our early colonial period, a major purpose in maintaining colonies was to exchange manufactured goods for the native wealth of new territories. Every effort was made to sell the colonies manufactured products in exchange for raw materials imported from them. At the same time, numerous trade regulations sought to prevent colonists from shopping about to obtain manufactured products elsewhere.

Almost as important as this intentional restraint upon the development of American manufacturing, however, was the fact that interests of

colonists led them into occupations other than that of manufacture. The wealth of productive soil encouraged agricultural expansion. With the convenient division of labor by which Americans produced raw materials, colonizing nations manufactured them, and the world consumed them, shipping remained an extensive and profitable industry throughout the colonial period. Many colonial seamen participated in the even more lucrative smuggling operations that were encouraged by trade restrictions imposed upon colonies.

With the coming of political revolution this situation changed. The American Revolutionary War seriously restricted commerce, thus destroying the market for raw materials at the same time that it prevented importation of finished products. It reduced trade to such an extent that transportation was both unprofitable and hazardous. The wartime blockade, which was quite effective in preventing importation of European-made goods, encouraged colonists to undertake manufacturing. Later, the Embargo Act of 1807 and the Non-intercourse Act of 1809 continued restrictions on foreign trade and gave them an appearance of permanence. The War of 1812 again limited importation and threw colonists upon their own resources.

By 1787, small factories for the manufacture of textiles had been established in Philadelphia, in Beverly, Mass., and in New York. In 1789, this development took two significant forward steps. In that year, the new government enacted its first tariff, aimed to protect infant industries within its border. In the same year it established at Pawtucket, R.I., a complete cotton goods factory. This mill was built and equipped under the direction of Samuel Slater, who had been sent to England by the government to learn details of the most modern English factories. Having secured employment as an apprentice, Slater memorized mechanical specifications and arrangements in detail. Returning to the United States, he drew plans for and supervised the construction of all parts in a complete American factory duplicating the English institution.

The invention of Whitney's cotton gin in 1793 added to the momentum of this incipient movement toward American industrialization. The new invention gave the cotton-manufacturing industry in America an advantage over that of all other nations. Other inventions of great importance followed rapidly. The first half of the nineteenth century saw the new nation change from being an importer of manufactured products to one of the most important of the nations exporting such commodities. In 1814, the first American power loom was put into operation at Waltham, Mass. Meanwhile, the steamboat had demonstrated its possibilities, and, in 1831, the railroad appeared as a practical means of inland transportation. Each of these inventions was particularly important in

furthering American industrial development because of the vast distances between settlements in the New World. Invention and improvement of the sewing machine encouraged further expansion in textile and clothing industries. Numerous other discoveries and inventions of lesser importance combined to advance factory production as an important feature of American life.

5.2 *Economic and Social Status of Employees.* The introduction of factories and their rapid increase in numbers and size resulted in extensive changes in living conditions in this country. This change in the system of production affected wages and working conditions, as well as the social status of employees. Changes begun in the early years of the nation have continued to the present time, as mergers and consolidations have increased the size of production units.

The tradition of "high wages" in the United States appears to be as old as the country.[1] Wages were higher in the American colonies than in the older European states. Manpower shortages were continuous. The Plymouth and Massachusetts Bay colonies enacted legislation fixing maximum wage rates in 1630. Steadily increasing demands for labor and higher wages reflected the constant availability of free land. Employees could always consider the comparative returns available from settling on a farm. Wages for master workmen in the colonial period amounted to at least 50 cents per day, and unskilled employees in the colonies earned from 25 to 50 cents per day. After factories appeared, wages for unskilled employees increased. Early factories paid, on the average, $5 per week. When they became numerous, women employees were paid from $1.25 to $2 per week, including board; and children also were frequently employed at wages amounting to from $1 to $2 per week without board. The purchasing power of such incomes was greater than might be assumed, because prices of consumer goods were comparatively low.

Hours in early industrial establishments were long. As agriculture set the standard wage, it also determined the current conception of proper hours of employment. In agriculture, employers and employees began at sunup and worked until sundown. Most factories operated from 12 to 16 hours per day, 6 days per week. Children worked alongside adults with little discrimination as to hours, although there were adjustments in pay. It is said that the widely regarded "ideal" mill at Lowell, Mass., employed girls ten years old for 14 to 15 hours daily. Even the building tradesmen worked 12 to 15 hours per day.

Working conditions in the early factories would today be regarded as highly unsatisfactory. Workshops were poorly lighted and heated, without sanitary facilities. Living conditions, when they were provided by

[1] *Cf.* "High Wages in Colonial America," *Monthly Labor Review*, Vol. 28, No. 1, January, 1929, pp. 8–18.

employers, were definitely not ostentatious. Although some employers attempted to provide modest but adequate homes for youthful employees, especially girls, such attempts were exceptional. Most appraisals of these accommodations agree that typical working and living conditions were decidedly hazardous to both health and morals.

Conditions in homes owned or rented by employees were not greatly improved by early factories. The home of the employee was not attractive, judged by present-day standards. It included no china, no wall decorations, no stoves, no matches. Windows were openings covered with oiled paper. Sand floors were common. The employee's food was simple, as was his clothing. It must be remembered, however, that such conditions were common before as well as after the coming of factories.

Political status. Employees in this early period enjoyed a distinctly less privileged legal status than they have today. The citizen could be imprisoned for debt. He could vote only if he were a property owner. No free schools were available to his children He worked in direct competition with indentured servants or *redemptioners*, who had sold themselves for a period of years to those who had paid for their transportation from older nations. Less directly, the employee sold his services in markets where the competition of slaves made his struggle more difficult. White artisans were frequently sold at auction, and bondsmen and bondswomen were employed by all who could support and use them, including the first President of the United States. Although demands for manpower remained generally greater than supplies, so that wages continued to rise, there was little concern about manpower development, utilization, or conservation in early American industry.

5.3 *Population Growth and Urbanization.* To some extent, this lack of concern over the conservation of manpower is explained by the continued growth of population.

Total numbers have grown rapidly, more rapidly than in any other nation during the same period. At the same time, the factory system has stimulated in this country, as it did in European nations, an extensive movement to cities. In the United States, such changes have been particularly rapid. Also, population movement has been accompanied by a related shift in vocational distribution. In 1820, agriculture involved the services of 83 per cent of all those gainfully employed in the country. In 1948, this industry employed only 12.9 per cent, as has been noted in Chap. 2.

Viewed in terms of percentage increase, population growth in colonial times and in the early years of the nation is striking. From 1610 to 1790, population is estimated to have grown from 210 to approximately four million. In several decades of this period, the rate of growth exceeded 100 per cent. From 1790 to the beginning of the present cen-

tury, the lowest percentage growth in any ten-year period is 20.7. Most decades were characterized by increases of more than 30 per cent. It is notable, in this connection, that the rate of increase has declined steadily since these early years. Early expansion is by no means solely attributable to natural increase, since immigration was extensive up to the period of World War I. The ability of the nation to absorb such increases in manpower reflects both the development of a more complicated economy and the opening of new territories.

Factory production must assume major responsibility for the striking trend toward urbanization. In 1790, there were few cities, and only a small portion of the population was made up of city dwellers. Less than 3 per cent of the population lived in cities of 8,000 or more persons. Today, as has been previously noted, more than 50 per cent of our citizens live in cities of 2,500 and over. It has been suggested that if the trend of urbanization from 1790 to 1920 were continued, there would be no rural citizens in two hundred years.

5.4 *Social Distance and Stratification.* In one respect, the industrial revolution in the United States has not produced results comparable to those in older nations. While social distance between owners of large-scale industries and employees in these industries is great, class consciousness shows no long-term tendency to increase. The United States is unique among nations in that, while the industrial revolution in this country has tended to produce distinctive and widely separated economic classes, comparatively little attendant class consciousness has been evident. On the other hand, the chasm between employer and employee has been appreciably widened, and the difficulty of bridging it perceptibly increases as mergers and consolidations have continued the trend toward larger industrial units.

Many explanations are given for the lack of class consciousness. Citizens are said to have a stake in the land, a vision of crossing class lines, or they are criticized as having allowed high wages and living scales to cool their ardor and pacify their ambitions. The availability of free land and freedom of movement from one job to another undoubtedly influence the situation. Widespread public educational facilities by means of which the children of wage earners may prepare themselves for professional or managerial positions or to become independent entrepreneurs are probably significant. Existing living scales, high in comparison with those of other nations, are undoubtedly important, both in limiting the urge to associate on a class basis and in encouraging individuals to become self-employed. High living scales have encouraged the expansion of service industries—beauty parlors, filling stations, and others—in which individuals may establish themselves as proprietors rather easily. Political freedom and representative government are

also important explanations of the limited development of class consciousness.

Probably most significant, however, is the fact that there have been few periods when manpower could not make a choice of jobs. Concepts of "bosses" and "wage slaves" are less realistic when employers compete for the services of labor, when employees have not one but several options as to how they shall sell their services. Employers do not fit the stereotyped role of the slave driver when they have to bargain with a powerful union. Employees can with difficulty regard themselves as slaves as long as they have several job opportunities.

When depression strikes and unemployment is extensive, the whole situation changes. Jobs become scarce. The resources of employers give them a distinct advantage over most employees. Distinctions between their status become more real and more apparent. Depressions, therefore, represent a real threat to the American open-class system. If class consciousness is advanced in this country, it may well be because we have not learned to restrict the downward swings of the business cycle.

6.0 American Political Philosophy

Changes that have occurred in the techniques and organization of industry in this country are no more significant in understanding the present system than is the process by which the nation has arrived at its present political and economic philosophy. The ideas and ideals of decades long past have left their indelible imprints upon current attitudes toward and goals associated with employment relationships.

Early American political documents reflect the principles of political economy prevailing in Europe during the period when this nation was born. The Declaration of Independence, which was issued in the same year as Adam Smith's *Wealth of Nations*, describes man's "inalienable rights" and thus identifies itself with that startling emphasis upon individualism current in the teachings of physiocracy. The Declaration appeared at a time when restrictive policies dictated by mercantilist balance-of-trade theories were under severe criticism. That the individualistic laissez-faire policy was approved by the nation's founders is further attested by the first ten amendments to the Constitution, the Bill of Rights, which was adopted fourteen years later. Also, the reluctance of leaders, imbued with this individualistic philosophy, to impose numerous necessary regulations upon the colonies explains to some extent the failure of the earlier Articles of Confederation to provide a strong national government.

Emphasis upon individual rights and personal freedom was, for many years, construed to include the necessity for protecting the individual's inherent right to bargain without restraint. It was insisted that inter-

ferences with an individual's freedom of contract, regardless of the conditions out of which they might spring or of the end they might seek, must not be permitted. Hence the continually reappearing assertion in numerous early laws that "no provision of this act shall be construed to interfere in any way with the individual's right freely to contract." Hence, also, the early insistence that trade-unions were un-American, because they interfered with freedom of contract. Minimum wage laws, child labor laws, compulsory accident compensation, and limitations upon the employment of children and women were widely opposed, in early years, as interfering with freedom of contract.

At the same time, there was widespread acceptance of the "invisible hand" theory expounded by Adam Smith, to which reference has already been made. The doctrine held that men, if allowed to act upon their own initiative and for their own best interests, automatically serve the best interests of society. Naturally, therefore, a minimum of social regulation was to be desired. This philosophy also accepted the Malthusian population doctrine. No imposed standards of hours, wages, or working conditions could overcome the natural laws of population growth or the equally inevitable operation of the "iron law" which made wages equal the bare subsistence of the employed masses.

Numerous tendencies away from this uncritical individualism with which the nation's founders were imbued have characterized the passing of the years. From the very start, in 1789, it was considered necessary to subsidize infant industries by enactment of a protective tariff. Since that time, the history of the nation has displayed a persistent tendency toward further modification. The tariff was gradually expanded until it protected numerous industries so gigantic that no one could regard them as infants. Meanwhile, slavery was outlawed, the world's most extensive system of public schools was developed, and attendance in such schools was made compulsory. Toward the close of the last century, public opinion crystallized around the conviction that large corporations, with their interlocking directorates, trusts, and holding companies, required regulation. Later, the Federal Trade Commission was created to supervise business practices. Blue-sky laws were found necessary as means of protecting the public against too great freedom on the part of stock salesmen.

More recently, extensive regulation of collective bargaining has been undertaken through the Federal Anti-injunction Act (1932), the National Industrial Recovery Act (1933), the National Labor Relations Act, (1935), and the Labor-Management Relations Act (1948). Meanwhile, numerous Federal and state laws have regulated the labor of men, women, and children. The Federal Fair Labor Standards Act of 1938 established minimum wages and specified penalties for long hours. The Social

Security Act of 1935 and the "Full Employment Act" (1946) have sought to assure stability of work and security against unemployment, dependent old age, and other contingencies. Unions have grown to a point where they represent more than 15 million employees and are regarded as semi-public institutions instead of fraternal associations. More than one-third of the nation's labor force works under terms of collective agreements. Few citizens view these developments as hazards to our political system. Government is recognized as having responsibilities that extend to the encouragement of collective bargaining, the protection of minimum standards in working conditions, the stabilization of employment, and the promotion of industrial peace.

When viewed in perspective, therefore, one may conclude that the revolution in systems of industrial production in this country has been paralleled by a revolution in political and economic philosophy that is at least as dramatic and significant.

Such is the background of current social goals in employment relationships. Many current problems reflect these earlier situations and philosophies. They arise out of failures to achieve these more recent objectives. They are accompanied by conflicts of opinion as to which of the newer goals shall be given highest priorities and of differences in belief as to the propriety of and possibility of attaining many proposed objectives.

QUESTIONS AND EXERCISES

1. Cite evidences to show that manpower goals of societies have changed with the passage of time.
2. Describe the advantages of perspective in viewing manpower goals.
3. Illustrate conflicts in manpower goals, and show how such conflicts arise.
4. How do current economic and political philosophies affect the application and conservation of manpower?
5. Describe major steps or stages in the evolution of economies described by Bucher.
6. Distinguish merchant and craft guilds in terms of their membership and functions.
7. Describe principal steps in what is described as the industrial revolution.
8. How did the industrial revolution change the social and economic status of employees?
9. Describe social problems created by effects of the industrial revolution on population growth and movement, capital-manpower ratios, and living scales.
10. How did the industrial revolution affect the alignment of social classes and social distance between them?
11. Describe and contrast the doctrines of cameralism, mercantilism, and physiocracy.
12. Who were the principal exponents of these schools of thought?
13. Describe the Malthusian "law of population," explain its derivation, and indicate its relationship to contemporary economic and political theories.
14. How did the industrial revolution in the United States differ from that which characterized England and Europe?
15. Explain the distinctive characteristics of the industrial revolution in the United States.

16. Compare wages, earnings, and working conditions in the American colonies with those in older nations.

17. What were the most important effects of the industrial revolution on the economy of the colonies and the new nation?

18. Why has not class consciousness developed more sharply as these changes have continued in the United States?

19. Explain the origin and development of the American emphasis on individualism in economic and political philosophy.

20. Cite evidence to indicate trends away from earlier emphasis on *laissez faire* in the United States.

Chapter 4

Problems and Symptoms: Industrial Unrest

1.0 Nature of Labor Problems

Labor problems have been defined in Chap. 1 as social problems arising out of the failure of society to achieve goals set for itself. They are not, it may be noted, the problems of a single plant or an individual employee or union. Thus, for example, the fact that the ABC Company in Oskaloosa, Iowa, cannot secure an adequate number of employees, or that the company is handicapped by a strike, or that it can't seem to get efficient performance from its employees, is not a labor problem in the sense in which that term is used in these discussions. Similarly, the failure of the famous rolling stone, Kilroy, to get and hold a job, or his difficulties encountered in securing an old-age pension would not be labor problems. Further, the fact that Local 293 is losing members or has become involved in a conflict with its international union, or has lost its funds through bad management—none of these situations would constitute a labor problem in the sense in which the term is used here.

Labor problems represent situations in which socially established and widely accepted goals having to do with manpower are not achieved, or in which movement toward them is obstructed or retarded.

1.1 *Sources of Labor Problems.* Manpower goals, like other social objectives, are constantly changing. For example, for a hundred years the United States sought to increase its manpower by encouraging immigration. Then, following World War I, the nation drastically revised this objective. Similarly, in early years, there were numerous efforts to find work for children. Their employment was widely regarded as desirable, in part to keep them out of mischief. More recently, these objectives have been greatly modified.

The process by which changes in goals are accomplished is generally a slow, gradual one. In a democracy, it necessarily involves extensive discussion and debate. Thus, the changing objectives of our society with respect to employee organization and collective bargaining have been a source of general discussion for many years. Unions have been prohibited, restricted, feared, accepted, and encouraged, as these goals were shifted and modified. Under the circumstances, it is not surprising that there have been conflicts, misunderstandings, and a multitude

of situations in which bitterness and controversy have broken into open conflict.

But the changing or modification of goals is only one source of labor problems. Not infrequently, currently accepted goals are themselves conflicting. Moreover, the interpretation of goals may involve misunderstandings that provide a basis for conflict. Thus the encouragement of free enterprise and the development of collective bargaining may readily collide, for there are numerous areas in which one citizen's concept of free enterprise and another's idea of what is included in collective bargaining may interfere.

This difference of opinion is at the heart of the battle over "management's prerogatives" that has raged for many years. Members of unions and representatives of managements, although each may feel sure that he is acting in complete conformity with socially established objectives, frequently cannot agree on how far unions shall participate in functions that are essential to the orderly utilization of manpower.[1] Differences of interpretation may give rise to arguments, demands for changes in the statement of objectives, and even for modifications in the goals. Many current labor problems are reflected in such controversies.

1.2 *Conflict and Frustrations.* In many such conflicts, protagonists become discouraged and frustrated. They are prevented from achieving what they feel sure are their "rights" in terms of socially accepted goals. In frustration, they cease to confine their attack to those who openly oppose their progress. They may find many other conditions unsatisfactory and propose far-reaching changes in existing social or political structures. Or they may exhibit other usual evidences of frustration, including disappointment and disgust. They may simply give up, cease fighting, and allow their resentment to smolder. They may withdraw from the conflict, "pick up their toys and go home," "take a walk," "go fishing," strike, or lock out employees.

2.0 Industrial Unrest

When the issues involved in such struggles, whether to attain existing goals or to establish new ones, are directly related to employment relationships, the resulting behavior is described as industrial unrest. To put it another way, when the goals in question have to do with *industrial relations*—the relationships growing out of employment—resulting dissatisfaction and conflict are described as industrial unrest. Industrial unrest is thus behavior indicating dissatisfaction with attempts to achieve goals with respect to industrial relations, or to change or modify these goals.

[1] See, for an excellent discussion, Neil W. Chamberlain, *The Union Challenge to Management Control*, New York, Harper & Brothers, 1948.

Industrial unrest is but one of several important types. There are many others that may be of great significance to societies. Unrest may be political, growing out of conflicts with respect to objectives involving government. Similarly, unrest may arise from dissatisfaction with or failure to attain religious, educational, or familial objectives.

2.1 *Social Concern with Unrest.* In any case, such dissatisfaction is a matter of concern to the society in which it appears. It is of obvious importance to those who are directly affected. They may represent a large share of the whole society. To them, issues may be regarded as involving matters of principle. On such matters, the strongest possible motivations and emotions may be aroused. Those involved may feel that "nothing else matters," that they cannot recede from the positions they have taken, that they will fight it out to the bitter end.

Their determination and possible bitterness necessarily become matters of concern to society as a whole. In industrial conflicts, large areas of the public may suffer great inconvenience and hardship. Property and even human lives may be endangered. In other situations, extensive unrest may threaten the integrity of the society as a whole. Conflict may become so bitter that the social organization of the community or even of a nation is endangered. Hence all societies are watchful of industrial as well as other types of unrest.

2.2 *Repression of Unrest.* In many cases, however, individuals and groups have mistaken a symptom for a disease. They have sought to treat the unrest, instead of recognizing it as the overt manifestation of a more fundamental and deep-seated difficulty. Sometimes, they have designed repressive measures to restrict expressions of unrest, instead of probing beneath this external irritation to discover its source.

Evidence of repressive action is readily discernible. Political leaders have frequently imposed penalties of imprisonment, deportation, or other punishment upon participants in the critical demonstrations characteristic of political unrest. Police and military forces may be called upon to prevent crowds from assembling and demonstrating. Night sticks and streams of water may be used to break up parades and other demonstrations. Civil rights are likely to be ignored in the zealous effort to "stamp out" what are regarded as seditious movements.

Such repressive tactics are not limited to national governments. They have characterized localities as well. In earlier periods, repression frequently appeared in the company towns maintained by steel and coal companies and in which police and courts were subjected to company control. Authority was aligned against the expression of critical opinion. Speeches and meetings were frequently forbidden, critics fired or beaten, "taken for a ride," tarred and feathered, or run out of the county. In such situations, unrest, forced underground, tends to ferment and to

emerge in violent outbursts. Thus, violence begets violence. Employers and their associations have, in the past, sometimes resorted to armed guards, subsidized police, spies, and other repressive tactics. Employees have retaliated in like measure. Unions have hired thugs and resorted to intimidation. Employers react as would be expected.

2.3 *Nature of Unrest.* Unrest has been variously defined, but most definitions involve the idea that unrest is behavior that reflects the failure of basic human urges or motivations to secure adequate expression. It is not uncommonly described as behavior resulting from the repression of instincts—or activity arising out of basic human drives—behavior that does not, however, satisfy them.

Such definitions refer to unrest as a phenomenon of individual behavior. Social unrest may be further defined as that which is communicated from one member of a society to others. The peculiar nature of social interaction in which unrest is communicated has caused it to be described as "social contagion."[1]

Unrest is generated when individuals and groups find themselves restricted, stopped, thwarted, and frustrated in their attempts to accomplish desired objectives. They react, as has been said, in behavior that appears to link their discontent with a variety of circumstances they associate with their lack of success. If frustration is extensive, objects of criticism may have little or no direct relationship to the offending situation. Behavior may illustrate relatively little rationality, may suggest emotional instability. For this reason, unrest may not point too clearly to the precise circumstances from which it arises.

2.4 *Dual Significance.* In spite of this limitation, industrial unrest may be said to have a dual significance for students of labor problems. On the one hand, it is in itself a problem. For most societies have clearly indicated their interest in a goal that may be described as peaceful, cooperative industrial relations. Frequent declarations specify the desire to prevent industrial conflicts, to prevent strikes and lockouts, to ensure uninterrupted cooperation in industrial relations. Work stoppages and less spectacular evidences of dissatisfaction are thus labor problems in and of themselves.

At the same time, these forms of unrest are indications of less obvious

[1] The essential accompaniment of unrest of all types appears to be a breakdown of habitual behavior patterns. Institutions or lesser social structures to which persons have become accustomed have required certain patterns of behavior. When changes take place, as when institutions are modified or customary procedures are varied, individuals have to change their behavior. To change patterns established by long observance, however, requires thinking—conscious variation. It necessitates an intentional, thoughtful elimination of certain habitual and convenient stereotypes in behavior. Unrest appears thus to be directly related to social change, to grow out of the dynamic nature of societies, the inevitability of continuous evolution.

dissatisfactions. They are symptoms of other labor problems. If they are restricted and repressed, their usefulness in this connection may be lost. If, on the other hand, they are carefully regarded, they permit adjustments that facilitate orderly modification and progress.

3.0 Inarticulate Unrest

Industrial unrest, like that associated with all other major institutions, takes many forms. In its simplest evidences, it appears as a sort of vague, listless action, rather than in arguments, debates, or other coherent, *articulate* forms. *Inarticulate unrest* shows itself in listlessness, wandering about, various types of excess, and in other evidences of the absence of customary habitual controls. Inarticulate unrest is frequently one of the most difficult types to discover and to measure. It involves all sorts of apparently purposeless activity in which dissatisfied individuals do not, however, attribute their discontent directly to any particular condition. It takes such forms as carelessness, a fatalistic philosophy that sees no idealistic aims as worthy of consideration, wandering, milling about, stalling and soldiering on the job, increases in crime, vice, debauchery, and other behavior that might be assumed to indicate the existence of a low level of morale. It may be communicated among group members, but group attention is fickle and vacillating, wandering from one consideration to another. This type of behavior is not at all uncommon among modern industrial employees. Soldiering and stalling are frequently observable.

3.1 *Migration.* Migration is one frequent evidence of such unrest, although not all migration is, of course, evidence of industrial unrest. Recent years have seen increased movement of this sort in the United States. Migration is not restricted to individuals alone but includes families as well.

The movement of wage earners from one job and one locality to another job or locality is one of the most frequent forms of unrest. Not all migration can be attributed to dissatisfaction, of course, for some of it, in recent years, has been planned and arranged by governmental agencies to meet specific manpower needs. For example, the importation of Mexican labor to aid in agriculture or that of Barbadians to aid in war industries presumably reflects no dissatisfaction on the part of employees. Similarly, many wartime shifts within the nation were designed and managed to secure manpower for important jobs in areas that could not provide necessary manpower supplies.

Further, it must be understood that some migration represents precisely the mobility that is needed in an economy to permit it to advance, to change. Manpower must be redistributed and reallocated if it is to be used efficiently. Technological changes, new industries and processes, and the discovery and development of new resources all require continued

shifting. Both government and individual firms have frequently sought to stimulate immigration as well as migration within the nation to meet these needs.

But there is a continuing large volume of unplanned, self-stimulated migration that does reflect attitudes of dissatisfaction. Such, for example, is the movement of "Okies" into California, the nomadic wanderings of groups of agricultural workers from one market to another, and the shift of Negroes from south to north. These are migrations that involve an appreciable degree of unrest and that represent and create distinct social problems. They interfere with the education of migratory children. They create serious problems of housing. They may readily disorganize wage structures in the markets they invade. They sometimes stimulate race conflict. Further attention is directed to these problems in Chap. 12.

Although measurement of such unrest is difficult, its existence and its meaning, in terms of employee dissatisfaction, are inescapable.[1]

3.2 *Absenteeism and Tardiness.* One of the most common evidences of industrial unrest is an unusually high level of absenteeism and tardiness. When large numbers of employees fail to report regularly, or when they arrive late, that is generally indicative of underlying dissatisfactions. Reasons for such attitudes may be many and varied. They may reflect working or living conditions, the absence of shopping facilities, long hours, problems of transportation or school or recreational facilities for children, or many other similar considerations. Whatever the reasons, this lackadaisical attitude toward jobs represents one of the common manifestations of inarticulate unrest.

Some measurement of these conditions is possible, as are comparisons with other times and places. Absentee and tardiness rates may be calculated as the number of those absent or tardy per hundred "starts," that is, shifts or opportunities to be present. An absentee rate of 3 per cent appears to be about the minimum that can be expected for employees engaged in manual work. Rates as high as 10 or 15 per cent have frequently appeared, especially in wartime industry.

[1] For discussions of such unrest and the problems it creates, see Ewan Clague, "Problems of Migration," *Proceedings, National Conference of Social Work*, 1945, pp. 66–73; L. W. Gresham, "Agricultural Nomads along the Atlantic Coast," *Journal of Educational Sociology*, Vol. 21, No. 2, October, 1947, pp. 78–87; Charles A. Myers and W. Rupert McLaurin, *The Movement of Factory Workers*, New York, John Wiley & Sons, Inc., 1943; I. D. A. Reid, "Special Problems of Negro Migration during the War," *Milbank Memorial Fund Quarterly*, Vol. 25, No. 3, July, 1947, pp. 284–292; H. S. Shryock, Jr., "War-time Shifts of Civilian Population," *ibid.*, pp. 269–283; H. S. Shryock, Jr., and Hope Tisdale Eldridge, "Internal Migration in Peace and War," *American Sociological Review*, Vol. 12, No. 3, June, 1947, pp. 27–39; U.S. Department of Labor, Retraining and Reemployment Division, "Migrant Labor—A Human Problem," Washington, D.C., 1947.

3.3 *Other Disciplinary Problems.* Inarticulate industrial unrest also frequently appears in an increased number of disciplinary problems. Violations of work rules are more numerous. Employees appear to have little regard for such regulations and to show equal disregard for the consequences of their actions. No rates or measurements are generally available for comparisons, but experience in each agency can indicate when there is a tendency toward increasing disciplinary problems.

3.4 *Morale Measurement.* Recognition of the significance of industrial unrest in inarticulate forms has encouraged development of several techniques designed to appraise employee attitudes and thus to recognize incipient tendencies toward dissatisfaction. Interviews are widely used for this purpose. Some of them are "exit" interviews, arranged when employees are quitting their jobs. In such interviews, employees are encouraged to describe their reasons for leaving and to express any criticisms they may have with respect to their jobs, supervision, working hours and working conditions, and other aspects of employment.

Interviews serving a similar purpose may be a part of the employee counseling program. Indeed, the whole industrial counseling activity has as a major purpose the maintenance of employee morale at a high level. As counselors seek to assist employees with their personal problems, they may discover pertinent sources of irritation to employees and may secure a significant impression of general levels of morale.

Perhaps the most widely used of such devices, however, is the *morale survey.* Such a survey uses a questionnaire or "scale" to secure employee reactions. Employees are asked to answer, generally by a simple checking of alternate replies, a wide range of questions with respect to working and living conditions, community facilities, the employer's policies and practices, and other considerations regarded as having a possible bearing on their attitudes toward employment. Questionnaires are usually not signed. They are generally distributed and collected and analyzed by some impartial research agency.[1] Through such analysis, repeated at regular intervals, sources of friction may be detected before unrest becomes general.

4.0 Labor Turnover

One of the most obvious evidences of unrest, including particularly that which is relatively inarticulate, is *labor turnover.* Labor turnover is the name given to the separation and replacement of employees—their movement out of jobs, either into unemployed or non-labor-force status or into other jobs. It is a crude measure of unrest, as the figures are generally compiled, for it reflects conditions in job markets at least as much as employee satisfaction or dissatisfaction. Nevertheless, it is probably the

[1] Several universities as well as consulting firms maintain facilities for this purpose.

most widely used index of industrial unrest, principally because there are continuing series of turnover data that facilitate comparisons. Data on labor turnover in the United States are collected by the Bureau of Labor Statistics, which secures monthly reports from several thousand establishments representing every geographic and industrial section of the nation. Reports are published each month in the *Monthly Labor Review.* They are compiled for all manufacturing, for durable and nondurable goods by industry, and for metal mining, coal mining, and public utilities. Since 1943, rates for all manufacturing industries include all employees; for individual industries, the rates refer to production employees only.[1] Composite rates are calculated by weighting the rates for various industries by the numbers of employees in such industrial groups.

4.1 *Turnover Rates.* Establishments report voluntarily to the Bureau upon a form that asks for the following specific data:

1. Number on the payroll at the beginning of the month.
2. Number on the payroll at the end of the month.
3. Quits.
4. Layoffs.
5. Discharges.
6. Accessions.

The first two items are used to secure a measure of the average working force or number on the payroll, which is calculated by adding these items and dividing by 2. A quit is defined as "a termination of employment generally initiated by the worker because of his desire to leave, but sometimes due to physical incapacity." A layoff is "a termination of employment at the will of the employer, without prejudice to the worker." If the name of the employee is not removed from the payroll and the layoff is brief, it need not be reported. A discharge is "a termination of employment at the will of the employer, with prejudice to the worker because of some fault on the part of the worker." A *separation* is a termination of employment as a result of quit, layoff, or discharge; and an accession is the "hiring of a new employee or the rehiring of an old employee." Transfers from one plant to another of the same company are not considered accessions or separations.

The Bureau calculates rates for each of these changes. Each rate is expressed as the number of changes (for instance, quits) per 100 of the average working force.

The rates thus calculated for a single firm might appear as shown in Table 4.1.

4.2 *Net Labor Turnover.* Serious question has frequently been raised as to which of these rates may be taken as the best measure of industrial

[1] For current data, see *Monthly Labor Review,* "Current Labor Statistics" section.

unrest. In older practice the total separation rate was generally so used. It is evident, however, that the number of separations reflects business conditions in addition to dissatisfaction of employees with their employment. Seasonal and cyclical influences may affect these rates. When business enters upon a seasonal or other decline, separation rates increase rapidly, since it is necessary to discharge or lay off large numbers of employees. On the other hand, separation rates naturally decline in a period of increasing business activity. Comparisons of separation rates

TABLE 4.1. TURNOVER RATES IN A SINGLE ESTABLISHMENT[1]

Number on payroll at first of the month	214
Number on payroll at end of the month	250
Average	232

	Numbers	Rates
Quits	2	0 86
Layoffs	27	11 63
Discharges	3	1 29
Total separations	32	13 78
Accessions	68	29 24

[1] Data assumed for purposes of illustration.

provide an unsatisfactory measure of industrial unrest, because factors other than employee attitudes may exert a dominating influence on these rates.

To meet this difficulty, a somewhat different rate, known as the "net labor turnover rate," is frequently used. It is calculated as the number of *replacements* per 100 of average working force. A replacement represents an employee hired to take the place of one separated from the payroll. Accordingly, the net labor turnover rate equals the separation rate or the accession rate, whichever is smaller. In the instance illustrated in Table 4.1, the rate is thus 13.78.

This rate, it will be noted, avoids some of the difficulties noted in connection with the simple separation rate. In periods of business expansion, the net labor turnover rate is the same as the separation rate. In periods of recession, it is identical with the accession rate. In each phase, it represents replacements, and thus measures the necessary action of management in maintaining its labor force.

The net labor turnover rate and the simpler rates it reflects are all uncorrected for different lengths of month. For this reason, such rates are often converted to *equivalent annual rates*. Equivalent annual rates represent monthly rates multiplied by a factor representing the number of days in the year divided by the number of days in the given month.

Thus, for a 31-day month, this factor is 11.77; for a 30-day month, it is 12.17; and for a 28-day month, it is 13.04. If the month illustrated in Table 4.1 were September, the equivalent annual net labor turnover rate would be, therefore, 13.78 × 12.17, or 167.70.

Equivalent annual rates should not be confused with actual annual rates. The latter represent the total of monthly rates throughout the year.

4.3 *Refined Rates.* All these turnover rates are comparatively crude measures. Although they are probably the most satisfactory rates that can be compiled for industries as a whole, they leave much to be desired. They fail to disclose the causes of turnover. For this reason, rates

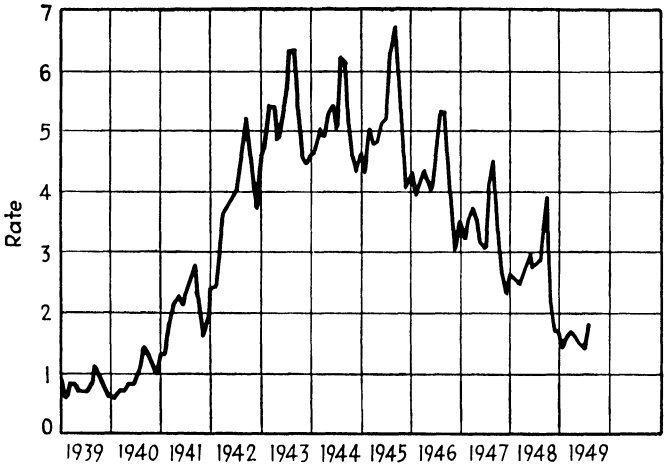

FIG. 4.1. Quit rates in manufacturing, 1939–1949. (*Bureau of Labor Statistics Chart Series. The chart may be kept up to date by reference to the statistical section of the Monthly Labor Review.*)

compiled for individual plants by personnel departments generally introduce a number of refinements. They may distinguish "personal" and "business" causes of separation, for example. They usually distinguish "avoidable" and "unavoidable" separations, describing death and certain other circumstances as creating unavoidable turnover.

Possibly the best of the several unrefined rates, so far as indications of job satisfaction or dissatisfaction are concerned, is the quit rate. Figure 4.1 charts the course of such rates for a ten-year period. The pattern suggests that seasonal influences exert a powerful influence and that wartime manpower shortages made resignations less difficult. How much of a measure of unrest can be inferred from such rates is distinctly questionable, although the fact that they do reflect attitudes toward jobs is clear.

Labor turnover varies considerably among different industries, and shows similar time-to-time variations. A monthly accession rate of 5.0 is high, while 2.0 is low for industry as a whole. Total separation rates in peacetime range from 2.0 to 7.0. There are wide variations among industries in monthly rates, as would be expected in view of the seasonality of many industries. Turnover is higher among unskilled than among skilled employees. It is high among new employees and lower among those who remain on the payroll past the first anniversary of their hiring.[1]

5.0 Work Stoppages

When industrial unrest becomes articulate, it tends to take the form of crowd and mob action and thus provides what is the most widely recognized form of such unrest. Having discovered some real or fancied explanations of their discomfiture, some actual or imagined cause of their dissatisfaction, those who participate in unrest may come together in crowds to give concerted expression to their feelings. Having united about some common symbol, they cooperate in more spectacular and contagious collective action. This is the most obvious type of what is popularly described as unrest.

In industrial unrest, the most common crowd behavior is that of the work stoppage. Such stoppages are generally and popularly described as strikes. Careful students should understand, however, that while most stoppages are strikes, others may result from direct action by employers. In other words, some stoppages are lockouts.

5.1 *Strikes and Lockouts.* No accurate accounting of relative numbers of strikes and lockouts is available or likely to become available. In many instances, the question as to whether a stoppage is a strike or a lockout is itself a matter of dispute and may be carried to the courts, especially if rules restrict unemployment compensation for those idle on account of a strike. Employees may insist that they were locked out, while employers declare that a strike is in progress. The distinction becomes important, not only in terms of possible public sympathy but

[1] See K. Brodman, "Rates of Absenteeism and Turnover in Personnel in Relation to Employees' Work Attitudes," *Industrial Medicine*, Vol. 14, No. 12, December, 1945, pp. 953–957; M. V. V. Buffum and R. E. Walther, "Labor Turnover in Munitions and Non-munitions Industries, 1943 and 1944," *Monthly Labor Review*, Vol. 61, No. 1, July, 1945, pp. 143–151; F. R. Clarke, "Labor Turnover Studies," *Personnel Journal*, Vol. 25, No. 2, June, 1946, pp. 55–58; Willard A. Kerr, "Labor Turnover and Its Correlates," *Journal of Applied Psychology*, Vol. 31, No. 4, August, 1947, pp. 366–371; C. F. Schloss and E. J. Polinsky, "Postwar Labor Turnover among Women Factory Workers," *Monthly Labor Review*, Vol. 64, No. 3, March, 1947, pp. 411–419; Joseph Tiffin, B. T. Parker, and R. W. Habersat, "The Analysis of Personnel Data in Relation to Turnover on a Factory Job," *Journal of Applied Psychology*, Vol. 31, No. 6, December, 1947, pp. 615–617.

also because unemployment benefits may be refused for strikers, while employees locked out may collect such benefits.

The term "work stoppages" includes cessations of work as a result of a labor dispute, regardless of whether employers or employees have taken the initiative in stopping operations. The term is preferred for public accounting because it does not place the responsibility for final action on either employers or employees. On the other hand, in those situations in which employees or their organizations have assumed responsibility or stated reasons for their action, the term "strike" is generally applied. In a strike, employees become sufficiently convinced of the cause of their irritation so that they are agreeable to concerted action and cessation of work. Such action may include many phases, but that which is distinctive of the strike is cessation of work. By definition, a strike is such a concerted refusal to work. That refusal may be accompanied by demonstrations, picket lines, banners, speeches, frequent meetings, and, in a small proportion of all such activity, by violence and lawlessness.

5.2 *Types of Strikes.* Such a description is generalized; within it various types of strikes may be noted. Several of them are sufficiently distinctive to deserve special mention.

A *sit-down strike* is one in which employees refuse to work but remain at their working posts. They do not walk out, as is usual in most strikes. This device was widely used in the organizing campaigns of the late 1930's. It was held by the courts to involve an unlawful seizure of property and has not been used in recent years.

A *slow-down strike* is somewhat similar. In it, employees merely retard their work. They do not absent themselves, nor do they cease working Generally, they seek by this means to force an employer to effect a *shut-down* or *lockout*, thus placing him in the position of initiating the work stoppage.

A *sympathy strike* is one in which groups of employees not involved in a labor dispute cease work in order to support other employees who are striking in the same or other plants.

A *general strike* involves the concerted cessation of work by all or a large portion of all organized employees. It is used infrequently but may be initiated when there is widespread sympathy for some striking group that appears to be unable to gain what is regarded by other unionists as an equitable settlement of its demands.

Jurisdictional strikes are called because two or more unions are in conflict over the right to represent certain employees in collective bargaining.

Outlaw or *wildcat* strikes are work stoppages called against union rules or without authorization by union officials.

Unfair-labor-practice strikes are those undertaken to protest what is regarded by employees as an "unfair labor practice" on the part of an

employer. When such strikes are based on the Federal Labor-Management Relations Act, striking employees do not lose their employment status, so that employers, if found guilty of the unfair practice, may be liable for loss of wages.

Economic strikes are contrasted with unfair-labor-practice strikes in that they are undertaken to secure economic gains for employees rather than to protest unfair labor practices. In such strikes, employees do not retain their status as such and may be replaced. Employers are not liable for losses of working time in such strikes.

5.3 *Strike Data.* Securing and compiling accurate information on strikes is a difficult task. Such accounting is attempted by many states, through their mediation and conciliation agencies, and by the Federal Bureau of Labor Statistics. There are several reasons, however, why the data thus provided must be regarded as but a crude measure of industrial unrest.

To begin with, there is reasonable question as to what may be the best measure of strikes. Is it their number? Such a measure gives as great significance to a small walkout of a dozen men in a local foundry as it does to a nation-wide coal or transportation strike. Is it the number of employees involved? Such appraisal takes no account of the difference between a one-day stoppage and a protracted affair lasting several weeks or months. For these reasons, perhaps the most accurate measure is the number of man-days lost, a figure that is now regularly reported.

But the problem of accuracy in strike reporting is by no means entirely solved by this arrangement. Who is to report strikes? Whose business is it to watch for them? Who is to find out how many men are involved and how long they last? Who is to discover causes and results, to appraise rival claims on these points? The answer is that no one is specifically assigned this responsibility. As a result, data must be secured from a variety of sources—from Federal and state conciliation services, from employment services, from newspapers, including the labor press, and from other miscellaneous sources.

Finally, there is always the question as to whether a work stoppage is a strike. Employees may insist that it is a lockout. Employers may call it a strike. Often the two are combined, as when employees strike at one or more firms belonging to an employers' association, whereupon other members of the association lock out their employees.

The Federal Bureau of Labor Statistics, which is the principal reporting agency for the nation as a whole, no longer presents strike data as such. It reports on "work stoppages," thus lumping all these cessations of employment together. Monthly reports, as published in the *Monthly Labor Review*, record all stoppages (known to the Bureau) that involve six or more employees and continue for as long as a full day or shift.

Data on "workers involved" and "man-days idle" refer only to employees directly involved. The form of the usual monthly reports is illustrated in Fig. 4.2.

It may be noted from Fig. 4.2 that the usual table presents three measures of the importance of stoppages: their number, the number of employees involved, and the total of man-days idle. In addition, calculations estimate the percentage of working time lost on this account. Because many work cessations extend beyond the limits of a single month, each of the first two categories is divided to distinguish stoppages beginning in the month from those carried over from preceding months. These two series must not be confused.

In addition to these statistical summaries, each issue of the *Monthly Labor Review* includes a description of the most important "Labor-Management Disputes," indicating issues, numbers involved, and other details. Each year, these statistical data and other information are combined in an annual review of work stoppages. That summary indicates the industries and areas affected, issues involved, union affiliation, and other considerations.

5.4 *Trends in Strike Data.* Strikes and other types of work stoppages have changed with the passing years—changed in numbers, in size, in duration, and in relationships to current business and economic conditions. Some of these changes show sufficient consistency of pattern to justify detailed attention, for they suggest the prevalence of trends.

5.41 *Long-time trends in numbers.* Table 4.2 summarizes available data as to annual numbers of work stoppages and of persons involved since 1881. For the years before World War I, data are not complete, but those included permit some interesting comparisons. For each of the two series, an index number that provides a "relative" for each year permits ready comparison among the years. Since most business and economic series now use the years 1935–1939 as a base period, that base is used for these data also. Figure 4.3 indicates numbers of days' idleness caused by such work stoppages in the years since 1939.

It may be noted, for example, that there is no close correspondence among the indexes of disputes, employees involved, and time lost. Thus, for example, the years of high levels of numbers of strikes are 1917–1920, 1937, 1941, and 1944–1948. For employees involved, the high spots are 1916–1919, 1922 (a low year for numbers of disputes), 1937, 1941, and 1943–1948. For numbers of days lost, peaks were reached in 1927, 1937, and 1945–1948. While there is apparent relationship, the significance of differing size and duration of disputes is apparent.

The influence of postwar adjustment periods is perhaps the most striking characteristic of these series. After both world wars, disputes, employees involved, and time lost rose to unusual heights. There are

E: Work Stoppages

TABLE E–1: Work Stoppages Resulting From Labor-Management Disputes [1]

Month and year	Number of stoppages		Workers involved in stoppages		Man-days idle during month or year	
	Beginning in month or year	In effect during month	Beginning in month or year	In effect during month	Number	Percent of estimated working time
1935–39 (average)	2,862	----------	1,130,000	----------	16,900,000	0.27
1945	4,750	----------	3,470,000	----------	38,000,000	.47
1946	4,985	----------	4,600,000	----------	116,000,000	1.43
1947	3,693	----------	2,170,000	----------	34,600,000	.41
1948	3,419	----------	1,960,000	----------	34,100,000	.37
1948: June	349	565	169,000	243,000	2,220,000	.28
July	394	614	218,000	307,000	2,670,000	.36
August	355	603	143,000	232,000	2,100,000	.26
September	299	553	158,000	267,000	2,540,000	.33
October	256	468	110,000	194,000	2,060,000	.27
November	216	388	111,000	189,000	1,910,000	.26
December	144	283	40,500	93,100	713,000	.09
1949: January [2]	225	400	70,000	110,000	800,000	.11
February [2]	225	350	80,000	120,000	650,000	.10
March [2]	275	400	500,000	540,000	3,600,000	.46
April [2]	400	500	175,000	225,000	1,800,000	.25
May [2]	450	600	250,000	320,000	3,200,000	.45
June [2]	375	550	575,000	660,000	4,600,000	.61

[1] All known work stoppages, arising out of labor-management disputes, involving six or more workers and continuing as long as a full day or shift are included in reports of the Bureau of Labor Statistics. Figures on "workers involved" and "man-days idle" cover all workers made idle for one or more shifts in establishments directly involved in a stoppage. They do not measure the indirect or secondary effects on other establishments or industries whose employees are made idle as a result of material or service shortages.

[2] Preliminary estimates.

FIG. 4.2. Typical monthly report on work stoppages. (*From Monthly Labor Review, Vol. 69, No. 2, August, 1949, p. 232.*)

TABLE 4.2. NUMBERS AND INDEX NUMBERS OF WORK STOPPAGES AND EMPLOYEES INVOLVED, 1881–1948[1]

Year	Number of		Index (1935–1939 = 100)		Year	Number of		Index (1935–1939 = 100)	
	Strikes	Employees involved	Strikes	Employees		Strikes	Employees involved	Strikes	Employees
1881	477	130,176	17	12	1919	3,630	4,160,348	127	370
1882	476	158,802	17	14	1920	3,411	1,463,054	119	130
1883	506	170,275	18	15	1921	2,385	1,099,247	83	98
1884	485	165,175	17	15	1922	1,112	1,612,562	39	143
1885	695	258,129	24	23	1923	1,553	756,584	54	67
1886	1,572	610,024	55	54	1924	1,249	654,641	44	58
1887	1,503	439,306	52	39	1925	1,301	428,416	45	38
1888	946	162,880	33	14	1926	1,035	329,592	36	29
1889	1,111	260,290	39	23	1927	707	329,939	25	29
1890	1,897	373,499	61	33	1928	604	314,210	21	28
1891	1,786	329,953	62	29	1929	921	288,572	32	26
1892	1,359	238,685	56	21	1930	637	182,975	22	16
1893	1,375	287,756	48	26	1931	810	341,817	28	30
1894	1,404	690,044	49	61	1932	841	324,210	29	29
1895	1,255	407,188	44	36	1933	1,695	1,168,272	59	104
1896	1,066	248,838	37	22	1934	1,856	1,466,695	65	130
1897	1,110	416,154	38	37	1935	2,014	1,117,212	70	99
1898	1,098	263,219	38	23	1936	2,172	788,648	76	70
1899	1,838	431,889	64	38	1937	4,740	1,860,621	166	165
1900	1,839	567,719	64	50	1938	2,772	688,376	97	61
1901	3,012	563,843	105	50	1939	2,613	1,170,962	91	104
1902	3,240	691,507	113	61	1940	2,508	576,988	88	51
1903	3,648	787,884	127	70	1941	4,288	2,362,620	150	210
1904	2,419	573,815	84	51	1942	2,968	839,961	104	75
1905	2,186	302,434	76	27	1943	3,752	1,981,279	131	176
1914	1,204				1944	4,956	2,115,637	173	188
1915	1,593				1945	4,750	3,467,000	166	308
1916	3,789	1,599,917	132	142	1946	4,985	4,600,000	174	408
1917	4,450	1,227,254	155	109	1947	3,703	2,165,600	129	193
1918	3,353	1,239,989	117	110	1948	3,419	1,960,000	119	160

[1] Bureau of Labor Statistics data from Florence Peterson, "Strikes in the United States, 1880–1936," *Bulletin* 651, Bureau of Labor Statistics, 1938, p. 21, and issues of the *Monthly Labor Review*. Annual average of strikes, 1935–1939 = 2,862; of employees involved, 1,125,164.

notable increases also in the years of recovery from the great depression, following 1932, and in 1937, when the Wagner National Labor Relations Act was held constitutional, with resulting union drives in the mass-production industries. In general, strikes appear to be more numerous in years of prosperity and rising prices, although they remained at relatively low levels in the comparatively prosperous 1920's.

While the wide year-to-year fluctuations in these data make any appraisal of an over-all trend difficult, if one were to be described, it would presumably have to be upward. Index numbers as well as raw

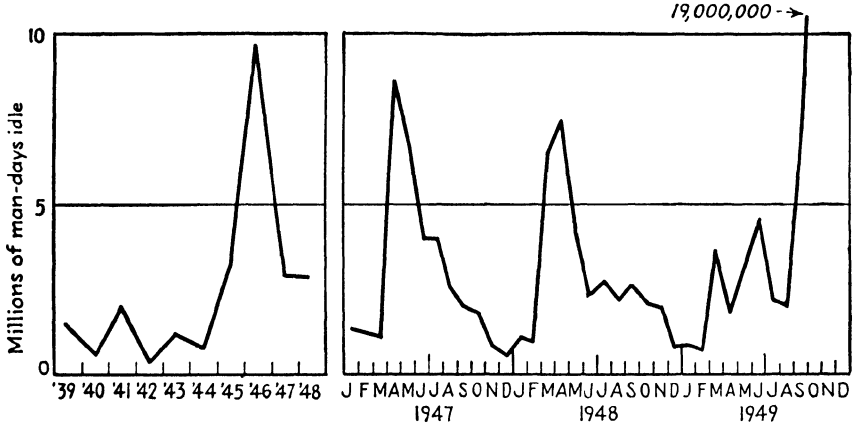

FIG. 4.3. Man-days lost in work stoppages, 1939–1949. (*Reproduced from Economic Indicators, the joint committee print prepared for the Joint Committee on the Economic Report and issued monthly. Each issue carries a similar chart.*)

data make this clear. It has sometimes been suggested, however, that data should first be "deflated" by dividing by numbers in the labor force, or better still, by numbers of organized employees. This suggestion reflects the general observation that unorganized employees can call or maintain a strike only with great difficulty.

If the data are thus "deflated" by numbers of unionists, the trend is more nearly horizontal. Further, the postwar peaks in numbers of disputes and employees involved in 1945 and 1946 appear as somewhat lower than those of 1917–1919, because of the fact that union members were almost four times as numerous. The situation has been summarized as follows:[1]

It is clear . . . that strikes have not increased in the same proportions as have the gainfully employed, nor has their rate of increase closely approximated that of industrial wage-earners. Numbers of workers involved in strikes, however,

[1] From Dale Yoder, "Economic Change and Industrial Unrest in the United States," *Journal of Political Economy*, Vol. 48, No. 2, April, 1940, pp. 222–237.

have increased in proportions somewhat similar to those of industrial wage-earners Numbers of union members have increased far more rapidly than either strikes or strikers. There is, however, a tendency for strikes to show marked increases in numbers in periods when labor organization is expanding rapidly, and there is a less persistent tendency for strikes to decline as union membership is reduced.

5.42 *Seasonality.* There is a well-established seasonal pattern in strikes for the nation as a whole, and particularly for individual localities. As would be expected, local patterns vary, but the variation is not sufficient to obscure or overcome the nation-wide tendency.

Such a pattern is readily explained. Contract or collective agreement terminations are not spread evenly throughout the year, but are concentrated in spring and fall. Weather also influences strikes. As a result, strikes tend to increase in number in the spring, reaching a peak in April and May. They remain at relatively high levels throughout summer months, picking up somewhat in August and September. Thereafter, they are reduced to a minimum in December and January.[1] This seasonality is evident in Fig. 4.3.

5.43 *Size of strikes.* A crude measure of the comparative size of strikes is available by calculation of the average number of employees involved (see Table 4.3). Such a comparison is worth while because of the frequent assumption that size or coverage of stoppages has been growing, due particularly to industrial unionism in the mass-production industries. The table includes index numbers, based on averages of 1935–1939 = 100, which suggest that there is little apparent trend. On the contrary, 1922 has the highest index, due presumably to the strikes of railroad employees in that year.

5.44 *Duration.* The length of stoppages appears to have declined slightly with passing years. Presumably, this is at least in part attributable to the more extensive provision of mediation and conciliation facilities and the widespread use of formal grievance procedures as provided in collective agreements.

In years immediately following World War II, the severity of strikes, as measured by their duration, showed some increase and raised a question as to the long-term trend, which was never pronounced. Possibly there may be a tendency for stoppages to last longer in periods of prosperity when strikers readily secure other jobs. Or employees may be willing to remain out longer when there are prospective materials shortages that may cause idleness. A comparison of information on the duration of strikes in each year since 1935 is presented in Fig. 4.4.

[1] See Dale Yoder, "Seasonality in Strikes," *Journal of the American Statistical Association*, Vol 33, No. 4, December, 1938, pp. 687–693.

TABLE 4.3. AVERAGE NUMBER OF EMPLOYEES PER WORK STOPPAGE, 1916–1948

Year	Average number of employees	Index number 1935–1939 = 100
1916	412	102
1917	275	68
1918	370	92
1919	1,145	284
1920	430	107
1921	457	114
1922	1,450	360
1923	487	121
1924	528	132
1925	331	82
1926	319	79
1927	467	116
1928	520	129
1929	312	77
1930	287	71
1931	422	105
1932	386	96
1933	690	172
1934	790	197
1935	555	138
1936	364	91
1937	393	98
1938	248	62
1939	449	112
1940	230	57
1941	552	137
1942	238	70
1943	528	132
1944	426	106
1945	730	182
1946	990	246
1947	585	146
1948	573	143

5.45 *Relation to economic change.* There is evidence that numbers of strikes, as well as their extent and duration, reflect current economic conditions.[1] When unemployment is widespread, in periods of

[1] See Dale Yoder, "Economic Change and Industrial Unrest in the United States," *loc. cit.*

business recession, strikes are less frequent, while strikes tend to increase in periods of increasing or high employment and rising prices. Precise relationships are not clear, and there is reason to believe that reflections of economic conditions are frequently obscured or limited by political or other circumstances. Conclusions from an intensive study of strikes from 1881 to 1937 have been summarized as follows:[1]

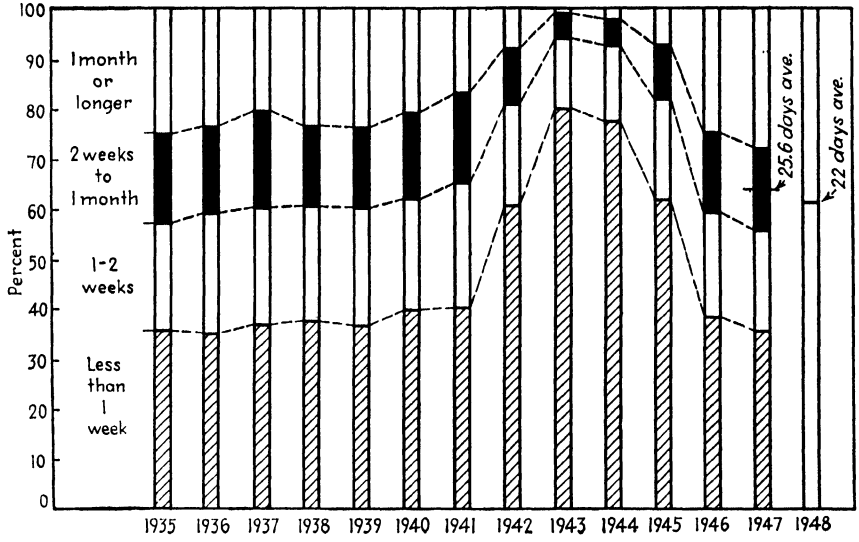

FIG. 4.4. Duration of stoppages by percentages. (*Data from Handbook of Labor Statistics, 1947 edition, p. 139, and subsequent reports in the Monthly Labor Review.*)

Numbers of strikes and workers involved unquestionably reflect the influence of changes in business activity. There is, however, no simple parallelism. Only a slight superficial similarity characterizes seasonal patterns. In longer periods there is evidence of a tendency for strikes to increase in periods of sharp expansion in business activity and a less clear-cut tendency for strikes to decline abruptly when business is receding. High-level years of strikes show little average change in business activity from year to year, but low-level strike periods are, on the average, years of declining business and those in which activity is below normal. . . . Typically, strikes increase in the early part of the recovery phase of the trade cycle. When business levels off in the prosperity phase, numbers of strikes decline. When business recession begins, they may show further declines, and they tend to remain at low levels during the depression phase.

No simple relationship between strikes and real wages is apparent. . . . Available data, however, appear to show that years characterized by sharp increases in strikes are those in which real wages have increased most abruptly. . . . Reflections of changing prices are somewhat more significant. Strikes

[1] *Ibid.*, pp. 236–237.

appear to increase sharply in years characterized by rapid price advances or to remain at high levels in such years. They decline when prices are fairly constant or receding slightly. . . .

5.5 *Causes of Strikes.* Most strikes are said to be *economic strikes* because their objectives are primarily economic, in that they seek to secure gains in income for their members. The most common *stated* cause of strikes is "wages." A word of caution is in order in this connection, however, for most attempts to discover causes of strikes are

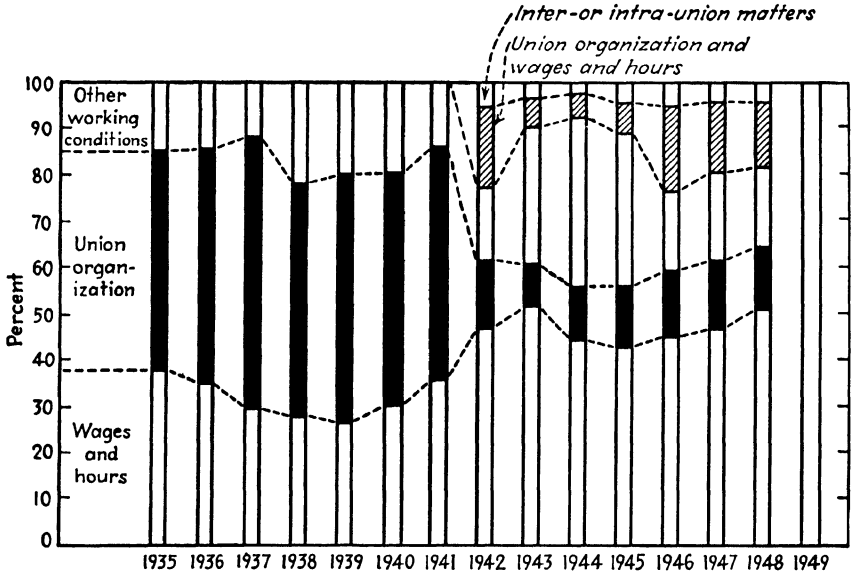

FIG. 4.5. Causes of work stoppages, by percentages, 1935–1948. (Data from *Handbook of Labor Statistics, p.* 136, *and subsequent reports by the Bureau of Labor Statistics.*)

thwarted, because such causes are obscure rather than obvious. In earlier periods, many strikes were held to be illegal as to purpose, but strikes for wage or hour considerations were always regarded as legal. Hence, a wage or hour issue was generally brought into almost every dispute, to be sure of its legal status.

Stated causes of strikes have tended to vary with changing laws and regulations. In the years just following enactment of the Wagner Act (1935), for example, many strikes arose out of alleged unfair labor practices on the part of employers. As has been noted, such unfair-labor-practice strikes have a special status in that employees must be reemployed and compensated for lost time if the employer is found guilty of an unfair labor practice.

Any attempt to ascribe causes to strikes in terms of the issues involved is thus complicated and subject to question, since the parties involved

may differ sharply as to the nature of their differences. Moreover, there may be several related issues. The Bureau of Labor Statistics now employs a fivefold classification, describing such issues as (1) wages and hours, (2) union organization and wages and hours, (3) union organization, (4) other working conditions, and (5) interunion or intraunion matters. A summary comparing the importance of these issues over a 14-year period is presented in Fig. 4.5.

5.51 *Union affiliation.* Reports on strikes generally indicate the affiliation of the union involved. Thus, for example, unions are classified as AFL, CIO, independent, rival (different affiliations), cooperating (different affiliations), single-firm unions, and no union. It is interesting to note that, in 1948, only 0.3 per cent of all strikes were attributed to single-firm unions, while 1.9 per cent involved "no union." Comparisons of AFL and CIO affiliations are frequently interpreted as reflecting national policy of the parent associations, but this assumption is distinctly questionable.

5.6 *Results of Strikes.* Strike results are seldom definitive, in that one side or the other wins a clear-cut decision. They are generally settled by compromise. For this reason, tabulations showing the number won by labor or by employers (such as have sometimes been published by the Bureau of Labor Statistics) are not as informative as they may appear. It is sometimes said that no one wins in a strike; also that labor always wins. Both generalizations deserve rejection, for neither is entirely true.

Current reports on results of stoppages as released by the Bureau of Labor Statistics distinguish issues settled at the time the strike is terminated and those that are left to be negotiated. In the first group, four classes of results are identified, including (1) "substantial gains to workers," (2) "partial gains or compromises," (3) "little or no gains," (4) "indeterminate."[1] But these classifications must be regarded with some

[1] For example, see "Work Stoppages Caused by Labor-Management Disputes in 1946," Bureau of Labor Statistics *Bulletin* 918, June, 1947; for further details on the significance of strikes, see "Decline of Unfair Labor Practices as a Cause of Industrial Disputes," *Monthly Labor Review*, Vol. 63, No. 2, August, 1946, pp. 223*ff*; J. A. Flexner and M. B. Cheney, "Industrial Disputes in the United Kingdom and British Dominions, 1935–1945," *ibid.*, Vol. 62, No. 4, April, 1946, pp. 610–615; K. Forcheimer, "Some International Aspects of the Strike Movement," *Bulletin of the Oxford University Institute of Statistics*, Vol. 10, No. 1, January, 1948, pp. 9–18; F. H. Harbison, "Basis of Industrial Conflict," *Management Review*, Vol. 35, No. 11, November, 1946, pp. 441–443; National Industrial Conference Board, "Strikes and Lockouts, United States, 1941–1945," *Road Maps of Industry*, No. 503, Aug. 17, 1945; Sumner H. Slichter, "Strikes and the Public Interest," *Yale Review*, Vol. 35, No. 2, Winter, 1946, pp. 207–221; "Strikes and Their Changing Economic Context," *Bulletin of the Oxford University Institute of Statistics*, Vol. 9, No. 9, September, 1947, pp. 285–306; M. A. Wertz, "Strikes and Turnover Rates, 1930–April, 1945," *Conference Board Management Record*, Vol. 7, No. 6, June, 1945, pp. 172–175.

skepticism, for most strikes result in substantial gains to strikers on some issues, and because partial gains or compromises are the most common result, as would be expected. The success of strikes is not readily evaluated. Even if wages are increased, for example, a long strike may represent an economic loss for months or years. On the other hand, if layoffs are imminent for other reasons, loss of a few days or weeks may be a small price to pay for any improvement in wages, hours, or working

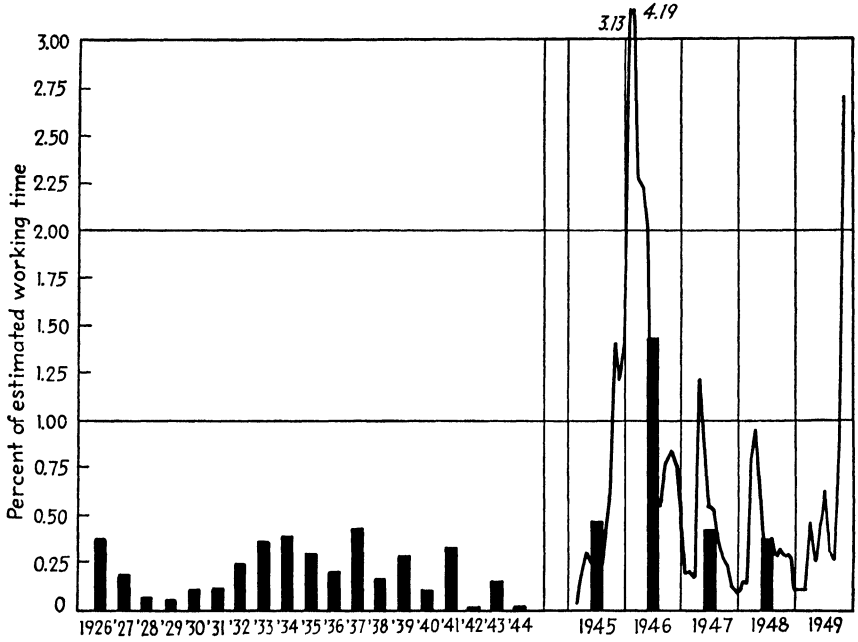

FIG. 4.6. Time lost in work stoppages as percentage of estimated working time. (*Data from Handbook of Labor Statistics, 1947 edition, p. 136, and later issues of the Monthly Labor Review.*)

conditions. Also, a strike may have great value in years following as an effective threat in negotiations.

Moreover, the actual proportion of total working time lost in work stoppages is rather small. The Bureau of Labor Statistics has calculated percentages of estimated working time lost for the years since 1926 and maintains continuing calculations for months and years. On an annual basis, these percentages are, for the most part, less than ⅓ of 1 per cent. While they have risen to more than 4 per cent in one month (February, 1946), average monthly percentages are fractional, even during high-strike-level years immediately following World War II. Figure 4.6 summarizes these calculations.

6.0 Labor Disputes in Canada

Reports of work stoppages in Canada are provided by the monthly *Labour Gazette*, published by the Department of Labour. Statistical reports describe the number of strikes and lockouts commencing during the month and those in existence, the number of employees involved in each, and the time loss. The latter is stated as a number of "man-working days" and as a percentage of estimated working time. Reports also summarize the facts with respect to each major dispute, indicating the date the strike started, the issue or issues, and the nature of any settlement that may have been made.

In addition, reports describe applications for certification and various stages of conciliation proceedings, including the assignment of conciliation officers to a dispute, agreements secured, special conciliation boards established, and reports of various conciliation boards.

Data on numbers of disputes are available for the period since 1901. They have been summarized in Table 4.4, together with an index based on 1935–1939 = 100. It will be noted that the pattern of disputes closely approximates that found in the United States, although there is something of a dampening influence which appears to restrict the amplitude of fluctuations. Such restriction may be explained by the emphasis on prevention of work stoppages, for Canada has long pioneered in this direction.

7.0 Settlement of Labor Disputes

Increasing public recognition of the seriousness of labor disputes, particularly those affecting industries of great public interest, has focused attention on possible means of preventing or quickly settling strikes. To some extent, of course, this interest was heightened by World War II and by the great number and bitterness of postwar disputes and stoppages. Even in peacetime, however, the public is inconvenienced by work stoppages, and hence various means are presently employed and numerous others have been suggested to reduce the frequency and duration of such conflict.

7.1 *Treating Symptoms.* Many of the devices proposed are actually only palliatives designed to treat the symptoms of industrial conflict rather than the elementary forces or factors that develop and maintain antagonism. That is not to say that none of these devices is of value; there is probably a place for economic aspirin, and it is possible, of course, that relief of the economic headache may facilitate more fundamental adjustments. Thus the "cooling-off period" so frequently proposed and now provided by Federal statute for certain major disputes (and by state law in some states) may have value in certain types of "hot-headed" conflict.

TABLE 4.4. NUMBERS AND INDEX NUMBERS OF CANADIAN INDUSTRIAL DISPUTES, 1901 1948[1]

Year	Disputes beginning in the year		Workers involved	
	Numbers	Index numbers, 1935–1939 = 100	Numbers	Index numbers, 1935–1939 = 100
1901	97	60	24,089	60
1902	124	76	12,709	32
1903	171	105	38,408	95
1904	103	63	11,420	28
1905	95	58	12,513	31
1906	149	92	23,382	58
1907	183	113	34,060	84
1908	72	44	26,071	65
1909	88	54	18,114	45
1910	94	58	22,203	55
1911	99	61	29,285	73
1912	179	109	42,860	106
1913	143	88	40,519	100
1914	58	36	9,717	24
1915	62	38	11,395	28
1916	118	73	26,538	66
1917	158	97	50,255	124
1918	228	140	79,743	198
1919	332	204	148,915	370
1920	310	191	60,327	150
1921	159	98	28,257	70
1922	89	55	43,775	108
1923	77	47	34,261	85
1924	64	39	34,310	85
1925	86	53	28,949	72
1926	75	46	23,834	59
1927	72	44	22,299	55
1928	96	59	17,581	43
1929	88	54	12,946	32
1930	67	38	13,768	34
1931	86	53	10,738	27
1932	111	68	23,390	58
1933	122	75	25,558	66
1934	189	116	45,800	114
1935	120	74	33,269	82
1936	155	95	34,812	86
1937	274	168	71,905	178
1938	142	87	20,395	50
1939	120	74	41,038	102
1940	166	102	60,619	150
1941	229	141	87,091	216
1942	352	218	113,916	283
1943	401	247	218,404	594
1944	195	119	75,290	187
1945	196	121	96,068	248
1946	225	139	139,474	346
1947	236	131	104,120	259
1948	148	82	41,234	102

[1] Data from "Strikes and Lockouts in Canada during 1947," Supplement to the *Labour Gazette*, April, 1948; may be maintained by reference to the Labour Statistics section of the *Labour Gazette*.

In this connection, a word may be said about the part played in unrest by agitators, for they are frequently regarded as sources of unrest and are not uncommonly the victims of violent repressive tactics. As has been noted in the discussion of articulate unrest and crowd behavior, agitators frequently appear in these stages. They may act as leaders in demonstrations or they may work behind the scenes in fomenting dissatisfaction. In many cases, they are essentially "racketeers," motivated largely by possibilities of personal profits. On the other hand, they cannot be regarded as solely responsible for such unrest as appears. They cannot ordinarily stimulate extensive unrest unless considerable dissatisfaction already exists. They are likely to be reflectors rather than creators of the spirit they express. They may shape and direct unrest and articulate that which exists. While they may exert temporary control over gullible employees, in the long run they are usually discredited if they have misrepresented the situation. Moreover, persecution of agitators makes friends for their cause and usually contributes added impetus and more drastic objectives to the movement they are leading.

7.11 *Law and order enforcement.* On the other hand, no argument against repressive measures can be allowed to obscure the need to maintain "law and order." There is a very fine line between repression and law enforcement, a line that can be found, in many situations, only with the greatest care and can be maintained only by honest, fearless local administration. But the maintenance of local law and order will remove many public objections to the activities of strikers and of employers. Neither can be allowed to control traffic or take over other governmental functions. Violence, threats, and intimidation cannot be permitted or allowed to go unchallenged or unpunished. Unions or employers should be granted no distinctive treatment under the law. Picketing can be orderly; "union-baiting" can be restrained. Economic conflict can be conducted within the framework of established laws and ordinances. Many of the repressive measures frequently introduced in state and Federal legislatures would secure little support if local law enforcement were determined and impartial.

7.2 *Union Rules.* Most unions have bylaws designed to prevent strikes. Contrary to some popular opinion, such rules distinctly limit the ease with which strikes may be called. Many unions require a two-thirds vote of members of the local involved, and not infrequently it is specified that the vote must be taken at a special meeting called for that purpose. Another common rule requires the consent or approval of international officers before any strike may be called. These rules are sometimes modified by a provision that a temporary strike may be called in a single shop by local officers if there is an emergency that seriously threatens the union. In general, however, rules of most unions make it difficult rather than easy to call strikes.

These rules are readily enforced in many unions because strike benefits are controlled by international officers and will not be available to locals that violate these rules. Strike benefit funds, like those provided for other benefits (death, disability, etc.), are usually distributed by the international union. They are designed to provide subsistence (generally from $5 to $25 per week) for those who are on strike. They are particularly important because, in most states, employees on strike cannot draw unemployment compensation.

7.3 *Grievance Procedures.* In recent years, and particularly since World War II, the provision of formal grievance procedures has helped in preventing strikes and other work stoppages. These grievance procedures take many forms, but their common purpose is assurance of rapid and equitable settlement of complaints that might become causes of disputes and work stoppages. Sometimes, these procedures are supplemented by provisions for employee counselors, who are available to discuss employee difficulties, suggest changes and adjustments, and otherwise aid employees in making satisfactory arrangements. Counseling has become an important function, especially in the larger business organizations. Suggestion systems, in which employees are encouraged to write out their proposals for change and may win rewards for such suggestions as are adopted, have also become well-established features in many firms.

In formal grievance procedures, a series of steps or stages is provided in which each grievance is assured of careful hearing and consideration. Thus, in the first step, the employee or the shop steward may take the complaint to the foreman. If he is unable or unwilling to resolve the difficulty to the satisfaction of the employee, it may go to a committee consisting of representatives of employees or their union and of plant management. In further stages, the grievance may be referred to representatives of the international union and top management, and, in many cases, to final and binding arbitration by a neutral third party. By such means, effort is made to assure employees that they need never strike to secure an equitable settlement of a situation they regard as a grievance.

On the other hand, the subjects that may be treated as grievances are frequently carefully prescribed. Thus, for example, grievances may be limited to questions of interpretation and application arising under the terms of a collective agreement. Such questions are described as involving "rights." Such a limitation prevents the settlement, through this procedure, of questions arising in negotiation of a new agreement or of questions of "interests," that is those not covered by the agreement. In such cases, of course, failure to agree on terms may give rise to questions that appear to employees to justify "economic action," *i.e.*, a strike.

7.4 *Conciliation and Mediation.* Recent years have witnessed increasing public provision of machinery designed to encourage the settlement of disputes without work stoppages. At Federal, state, and local levels, public and semipublic agencies have been created to facilitate the peaceful settlement of industrial disputes. Most of them are designed to provide conciliation and mediation, although some attempt to go further and require compulsory delay—the so-called "cooling-off period"—or compulsory acceptance of a settlement—compulsory arbitration.

7.41 *Definitions.* In practice, the terms "conciliation" and "mediation" are used as though they were synonymous, as is indicated by the titles given to various public agencies created to provide these services. A distinction is sometimes made, however, on the ground that the conciliator merely meets with the parties, urges them to be conciliatory, secures their best offers, and transmits these proposals from one to another of the parties. He is a "go between," whose initiative is confined to the encouragement of compromise through the proposals of one or the other of the parties. A mediator, on the other hand, is one who performs these functions and, at the same time, advances proposals of his own for resolving the differences of the parties.

Both of these terms must be sharply distinguished from *arbitration*, which is settlement of a dispute by the decision of a third, presumably neutral, party. In arbitration, the dispute is submitted to such an outside party for decision and settlement. This third party, the arbitrator, hears the evidence, considers the issues, makes findings of facts and presents the "award." *Voluntary arbitration* represents a situation in which the parties to a dispute of their own volition agree to submit their differences to such an arbitrator and to accept his decision. *Compulsory arbitration* represents a situation, not presently common in the United States, in which the parties to certain disputes are required by law to submit their disputes to arbitration and to accept the decisions thus rendered. Such procedure has been widely proposed as a means of preventing stoppages in industries of great public interest, such as transportation and other public utilities.

7.42 *Federal agencies.* As has been noted, conciliation agencies have been provided by Federal, state, and local governments. Best known is the Federal Conciliation and Mediation Service. The present agency dates from 1947, when it was created by the Taft-Hartley Labor-Management Relations Act. But the present FCMS was preceded by a Federal Conciliation Service that was as old as the Department of Labor in which it was located, having been established as a part of that Department when the latter was created in 1913. The service established in 1947 does not differ greatly from its predecessor, except that it is an inde-

pendent agency, not a part of any department. Conciliators are available in a dispute at the request of either party or may be called in by any public official. On the other hand, they may not arbitrate a dispute, although they will assist the parties in arranging arbitration.

A special National Mediation Board is also available at the Federal level, but its services are confined to transportation agencies coming under the jurisdiction of the Railway Labor Act as amended. Actually, there are two agencies provided by that act to resolve disputes. The National Mediation Board is a three-member agency created to settle questions involving the definition of bargaining units and the selection of representatives for employees in such units. For questions of "rights" arising out of the interpretation of existing collective agreements and disputes in the negotiation of new agreements, a thirty-six-member bipartisan National Railroad Adjustment Board is provided. In addition to these facilities, the law specifies a procedure in which the President may appoint a special emergency board of three members to settle disputes whenever a strike is threatened.

7.43 *State agencies.* Some thirty-seven states and territories provide conciliation and mediation services similar to those of the FCMS. Ten of them have permanent boards.[1] In several states, these services are related to state labor relations boards modeled after the National Labor Relations Board. In others, the facilities consist of mediators and conciliators attached to state labor departments and industrial commissions. Several state agencies antedate the Federal Conciliation Service. Many of the state agencies provide part-time conciliators who are engaged in other activities for the state or are drawn into state service when needed. A number of states, following the lead of Minnesota, have copied the provision of the Canadian Industrial Disputes Act and the Railway Labor Act in requiring notice of intent to strike or lockout and providing for "cooling-off" periods in which conciliators can try to prevent work stoppages. Short, ten-day periods may be provided for smaller, less consequential disputes and longer, thirty- or sixty-day delays for disputes in industries of great public interest.

7.44 *Local agencies.* A number of localities have set up special panels or boards to step into threatened stoppages and offer conciliation or arbitration services. Best known is probably the Toledo Plan, which has achieved wide recognition since its creation in 1935. Newark, N.J., has employed a similar procedure with considerable success. Such boards are generally tripartite and are made up of representative citizens who volunteer their services to the parties and seek to provide an equitable

[1] See "State Authorities Engaged in Conciliation and Mediation," U.S. Department of Labor, *Bulletin* 91, September, 1947; also Division of Labor Standards, *Legislative Report*, Supplement 2, Oct. 15, 1948, p. 9.

settlement of their differences. A study made at Wayne University[1] indicates that such boards are most likely to be successful if there is a strong centralization of labor leadership.

7.5 *Settlement by Arbitration.* Large numbers of strikes in the early years following both world wars have encouraged public interest in discovery of a method of preventing labor disputes from reaching the stage in which they occasion work stoppages. Threatened with strikes in public utilities, many citizens have felt that society may be justified in using drastic means to prevent such stoppages. One such means is the requirement of compulsory arbitration. There is some precedent for such provisions, for Australia has experimented with compulsory arbitration for more than a decade. It may be noted, however, that experience there does not indicate that all strikes are prevented by these provisions.

Voluntary arbitration has achieved increasing usage in recent years During World War II, the War Labor Board, impressed with the signifi cance of grievances as causes of work stoppages, ordered the insertion of formal grievance procedure provisions in the contracts it established. The grievance procedures thus created by the Board included the requirement of "terminal arbitration." In other words, they provided that if a dispute was not settled in one of the several stages in which the parties sought to adjust their differences, then it must be submitted to an outside arbitrator for settlement. His award must be accepted by both parties as final and binding. This pattern became well established, and similar provisions are now written into more than 70 per cent of all collective agreements. In some cases, perhaps the majority, resort to arbitration is limited to questions of "rights" arising out of the interpretation and application of existing agreements. In many others, the terms of new agreements—if they cannot be settled in negotiations between the parties—are also submitted to arbitration.

Arbitration may be undertaken by a single arbitrator or by a panel, usually consisting of three members. If a panel is used, one member is customarily chosen to represent management, one to represent labor, and the third—as a neutral member—is selected by the first two. Decision is by a majority. Generally, provisions exclude persons closely identified with the union and management involved from serving on the panel.

7.51 *The impartial umpire.* In an interesting variant of the more common procedure, a number of industries have preferred to employ a permanent arbitrator, called an *impartial umpire* or *chairman*, instead of the usual *ad hoc* arbitrator or panel. This procedure allows the arbitrator to become familiar with the special problems of the industry. He

[1] "The Toledo Plan: An Analysis," mimeographed, Detroit, Wayne University, March, 1947.

may also build up rules of industrial jurisprudence by maintaining a close consistency in decisions and relating each one to those that have gone before. The advantages and disadvantages of this arrangement are not yet clearly evident, but studies of the experience in several industries are under way.[1]

7.52 *Compulsory arbitration.* Compulsory arbitration has received no such general acceptance as has voluntary arbitration. Unions and employers alike are generally opposed to the legal requirement that they submit their grievances to a third party for determination. There is agreement that the requirement of arbitration would seriously limit if not destroy collective bargaining, for either of the parties, believing that he might gain more from an outsider than from the strength of his own arguments and his economic power, could always refuse to bargain and thus force the matter into arbitration. Experience gained during the war, in which many unions and managements with long bargaining experience found themselves "leaving it up to the War Labor Board," seems to support this conclusion. On the other hand, there is wide popular agreement that nation-wide strikes in essential public services cannot be tolerated.[2]

7.53 *Fact-finding boards.* One possible means of settling disputes in industries of great public interest without requiring arbitration involves the use of fact-finding boards. These agencies, generally created on an

[1] For a report on one excellent study, see Thomas Kennedy, *Effective Labor Arbitration*, Philadelphia, University of Pennsylvania Press, 1948. For a discussion of arbitration procedure, see Clarence M. Updegraff and Whitley P. McCoy, *Arbitration of Labor Disputes*, New York, Commerce Clearing House, 1946; Maxwell Copelof, *Management-Union Arbitration*, New York, Harper & Brothers, 1948. See also Paul Prasow, "An Examination of the Role of Arbitration Principles in an Emerging Industrial Jurisprudence," unpublished thesis, University of Southern California, 1948.

[2] For additional information on the use of conciliation, mediation, and arbitration, see Kurt Braun, *The Settlement of Industrial Disputes*, Philadelphia, The Blakiston Company, 1944; P. H. Casselman, "Voluntary Arbitration in a Democratic Society," *American Journal of Economics and Sociology*, Vol. 7, No. 1, October, 1947, pp. 61–72; "Conciliation and Arbitration in Australia: Commonwealth Act of 1947," *International Labour Review*, Vol. 56, No. 2, September, 1947, pp. 316–319; J. A. Flexner and others, "Settlement of Industrial Disputes in Seven Foreign Countries," *Monthly Labor Review*, Vol. 63, No. 2, August, 1946, pp. 224–235; Charles O. Gregory, *Labor and the Law*, New York, W. W. Norton & Company, Inc., 1946, Chap. XIII; University of Illinois Institute of Labor and Industrial Relations, "Municipal Mediation Plans," *Publications*, Series A, Vol. 1, No. 5, October, 1947; J. E. Johnson, "Compulsory Arbitration of Labor Disputes," *Reference Shelf*, New York, The H. W. Wilson Company, Vol. 17, No. 6, 1945, pp. 1–258; Robert Tilove, "Compulsory Arbitration and Collective Bargaining," *Labor and Nation*, Vol. 1, No. 4, February–March, 1946, pp. 13–14; S. R. Zack, *Arbitration of Labor Disputes: Cases from an Arbitrator's Files*, Great Neck, N.Y., Doniger and Raughley, 1947; *State Mediation and Conciliation Agencies*, 1947, (mimeographed); New York, New York State Board of Mediation, 1948.

ad hoc basis, seek to hear the parties, discover the facts, and give publicity to the issues and arguments. In most cases, the boards issue their own recommendations for an equitable settlement, hoping to develop so much public opinion in support of their suggestions that the parties will feel that they must accept these recommendations. Under the Federal Labor-Management Relations Act, however, although provision is made for the creation of such boards in certain disputes of great public interest, the law specifically provides that they shall make no recommendations. State boards are generally tripartite. A recommendation approved by the majority becomes the official recommendation of the board, but dissenting opinions of the minority frequently receive equal or greater publicity.

Use of such boards is generally combined with compulsory delay, the cooling-off period. Thus in the Labor-Management Relations Act, a total delay of approximately eighty days is provided, while Minnesota, Michigan, and several other states provide thirty- or sixty-day delays.

There are differences of opinion as to the usefulness of such boards. Some question is raised also as to their desirable composition. Most of those which have been appointed—and those specified by the state statutes—are tripartite, including a representative of the public, one of labor, and one of management. However, there are those who believe that all members should be public members, that there should be no partisan representation on these boards. On the one hand, it may be pointed out that partisan members are frequently helpful in assuring that the commission understands the arguments advanced before it. On the other, it must be said that partisan members seldom exhibit a judicial viewpoint, so that public members may be forced to compromise to secure a majority. The partisan members represent their parties. They may perform mediation functions that help to resolve the dispute. A board of public members would presumably share the judicial responsibility and make decisions on a more equitable basis. It might be less effective in mediation. (See Chap. 19.)

7.6 *Labor Courts.* Many students of the problem presented by work stoppages have become advocates of a system of "labor courts," comparable to that presently in service in Sweden. They propose that all disputes that cannot be resolved by the parties or all such disputes arising out of contract interpretation and application be submitted to such courts for adjudication. Parties would be required to accept these settlements. Courts would not be composed entirely of lawyers but would include industrial relations experts as well They would be in many ways similar in composition to wartime War Labor Boards.

Those who favor such a system point to the fact that it would introduce a degree of expertness into such settlements that is not likely in *ad hoc*

arbitration. Further, such courts would presumably observe precedent and thus maintain a high degree of consistency in their rulings. Opponents, on the other hand, oppose the necessary regimentation. They argue against any required acceptance of a settlement by third parties. They particularly fear the hazard that procedure would become extended and legalistic.

QUESTIONS AND EXERCISES

1. Describe what are generally designated as "labor problems," explaining their relationships to social goals.
2. How are conflict and frustration related to industrial unrest?
3. Why are societies concerned with unrest?
4. How does repression affect unrest?
5. Describe the principal types of unrest, indicate the nature of the process they represent, and illustrate by reference to industrial unrest.
6. What is a "morale survey," and how is it used?
7. What is "labor turnover"? What is its significance?
8. Describe usual methods of calculating labor turnover rates.
9. What are equivalent annual rates, and how are they used?
10. How may turnover rates be "refined" for use in individual plants?
11. What terms are popularly used to describe work stoppages?
12. What proportions of such stoppages are strikes?
13. Which of the following is the most generally useful measure of work stoppages: number beginning in the month or year; number in process; percentage of working time lost; average duration; number of employees involved?
14. Cite illustrations of each of the various types of strikes listed in the text.
15. Which of the several types of strikes described in this chapter is most important (numerically) in this country?
16. Describe and explain the limitations of current reports on work stoppages.
17. What is the principal source of information on strikes and lockouts in the United States?
18. Describe long-term trends in work stoppages, indicating differences in the several series, and noting unusual periods of activity or inactivity.
19. Describe the seasonal pattern of stoppages in the United States and Canada.
20. Have stoppages tended to become larger and longer?
21. How are stoppages apparently related to business activity?
22. What has been the most common cause of work stoppages in the United States in recent years?
23. Compare the strike records for AFL and CIO unions.
24. Why are causes and results of strikes not clearly evident?
25. On the whole, what proportions of working time are lost because of work stoppages in an average year?
26. Why have both employers (including their organizations) and unions found it difficult to remain within the law in labor disputes?
27. Describe usual union rules with respect to calling of strikes.
28. Distinguish mediation, conciliation, and arbitration, indicating the difference between voluntary and compulsory arbitration.
29. What public agencies are available to provide conciliation and mediation services?
30. What is the function of the impartial chairman or umpire?

31. Describe the usual provisions of grievance procedures established by collective bargaining.

32. What procedures are generally followed by fact-finding commissions established to settle industrial disputes?

33. Present arguments for and against compulsory arbitration in disputes involving industries of great public interest.

34. How would you react to a proposal for labor courts?

CHAPTER 5

Wages, Earnings, and Scales of Living

1.0 Wages and Labor Problems

Many current labor problems involve wages and earnings, because prominent and important social goals are directly or indirectly related to wages. Most modern societies are obviously concerned with the comparatively low living scales of a large portion of their people. They wish to raise those scales, to improve material living conditions. They want to make it possible for all members to have better housing, food, clothing, and other material advantages. At the same time, they want members to enjoy greater opportunities for education, recreation, and participation in other activities that permit personality development and a generally "fuller" life experience.

As compared with such other objectives as political development and participation, the goal of improved living scales is more tangible. It involves less of abstractions and is therefore more readily understood by the masses of group members. Further, measurement of the degree of goal attainment is simpler. Also, in this case, the social goal is a direct reflection of obvious individual goals. For that reason, there is continued and strongly motivated attention to the goal and each step in society's progress toward its attainment.

This goal is directly and apparently related to wages. Living scales, for a majority of the households in our society, depend largely if not completely on levels of personal earnings. Other types of income are significant, of course, especially for that comparatively small proportion which derives major support from the returns on property or investment or is self-employed. But for most adults and most households, personal earnings are the major source of income. Wages, in the broadest sense of that term, are thus the principal determinant of living scales. They are tangible, measurable indexes of accomplishment or the absence of it in the unending struggle for higher material scales of living.

Most modern societies have long recognized the unusual significance of wages, as is evidenced by extensive legislation with respect to them. Wages have achieved a distinctive status in the law, where they are clearly differentiated from payments for goods and other types of service. They are granted a preferred status with respect to all other claims by law in this country and in most foreign nations. In the United States, they are

exempt from execution for the payment of debts up to specified amounts. Numerous state laws regulate methods of wage payment, either specifying that wages shall be paid in cash or undertaking to supervise other methods of payment, thus protecting wage earners against unreasonable requirements that they shall patronize company stores or take scrip or goods in exchange for their services. In all modern nations, there are also requirements as to the regularity of payment, the most common provision requiring a semimonthly pay day. Several states specify the place of wage payment, while others merely stipulate that wages shall not be paid in barrooms. Most of the states now have laws providing public assistance in the collection of wages, so that employees need not stand court costs. In several states, laws require employers to post bonds guaranteeing their payrolls, and in other states, laws increase amounts payable if unusual delay is occasioned by employers.

1.1 *Antecedents of Market Wages.* Wages, particularly those determined freely in a labor or manpower marketing process, have not always been as important as they are today. Indeed, the system of wage payment in its present form is largely an accompaniment of industrial capitalism. Among earlier societies, in periods dominated by economies generally described as systems of direct appropriation, hunting and fishing, and the pastoral stages, wages were practically unknown. Division of labor was largely limited to that effected within families and dictated by sex differences. Economies had many of the characteristics of communism, in that all members of the relatively small societies felt free to satisfy their wants in so far as possible from the common store or treasury. No complex system of wage payment was necessary.

Even in the later years of the agricultural stage, in the period of medieval history, there were almost no wage earners similar to present-day employees. The great mass of those employed in agriculture were paid in produce on a "share" basis. Although certain artisans were paid for their services, their compensation was determined so differently from that of modern wage earners and their social status was so unlike that of present-day employees that the two groups have little in common.

In the handicraft stage, which followed this agricultural period and was marked by its guilds, masters, journeymen, and apprentices, a new type of employee appeared. Just as princes and traders had freed themselved from detailed regulation, so employees began to achieve a new freedom. The journeyman, as has been noted in an earlier discussion of the evolution of economic structures, was a wage earner. His position, however, was little more nearly analogous to that of modern wage earners than was that of the medieval artisan. Wages were not competitively determined but were set by the guild. Further, the position of the journeyman as a wage earner was a temporary status.

Most journeymen looked forward to the time when they should become masters and employers.

Only since the later years of the handicraft period, within the last two centuries, has a class of wage earners appeared with the characteristics that distinguish that group today. Although this class has increased in numbers until it represents a majority of the labor force in many nations, it is a comparatively recent development. This wage-earning class, whose services are bought and sold in the market, is a distinctive feature of modern capitalistic industry. It is one of capitalistic industry's most impressive creations.

1.2 *Wages and Status.* To the individual employee or the household he or she represents, wages are a means of attaining material goods and services. They provide the necessities of life as well as possible luxuries. Their economic significance is real, apparent, and immediate.

At the same time, however, wages have added connotations. They have prestige and status values as well as utilitarian significance. They carry implications with respect to the social position of those who receive them and of the households thus represented. Not only their level or amount, but the time and place and manner of payment are important in this connection. There is prestige in every pay envelope, status in hourly or weekly or biweekly or monthly or annual bases of calculation. A "salaried" employee frequently enjoys an element of superordination over "hourly rated" employees, for example. Wages and wage issues in disputes cannot be appraised simply on the basis of the economic purchasing power involved, for this reason.

1.3 *Payments for Services.* Wages achieve high importance in any study of economics because they are the most widely accepted basis of compensation for manpower. They occupy a position in that respect similar to rent, the customary compensation for land, or to interest, the accepted payment for capital. Wages represent manpower's share in the distribution of income; they are the usual compensation for one of the basic factors of production. Moreover, they have long been the largest single share in that distribution; manpower is the most expensive—in terms of over-all costs—of the factors of production.

On this account, conditions that affect or determine levels of wages have long been subject to scrutiny by economists. Theories of wages, like theories of rent or of interest, occupy a prominent place in all discussions of "principles" of economics. The chapter which follows this gives added attention to theories of wages and to some of their more important implications.

1.4 *Possible Overemphasis.* Because wages are so directly related to major social objectives and to individual goals, rates of pay may be so emphasized in an analysis of current problems as to obscure other

important considerations. Wage rates or levels are by no means the only or even the most important condition of employment. Studies have frequently found, for example, that employees may place greater emphasis on the stability and security of jobs and earnings than on wage rates or weekly earnings.[1] Further, high rates do not automatically result in job satisfaction, as is frequently assumed.

The point is that wages are the most tangible aspect of employment relationships, but rates of pay are by no means all-important. Wage adjustments will not satisfy all goals in employment, nor will they cure all dissatisfactions.

2.0 Wages, Wage Rates, and Income

The term "wages" has long been used by economists to refer to that distributive share in the value produced by economic activity that is allocated to payments for personal services. The term technically is defined in a more limited manner, in order to distinguish payments for managerial and entrepreneurial services and even for technical services from those of hourly paid employees. Wages are the compensation of wage earners. Wage earners have been defined as "those who do not own individually the product upon which they labor."[2] They are distinguished, in that respect, from the self-employed and from independent proprietors, including farmers, small storekeepers, and those who contribute large amounts of capital or managerial ability to industry and business.

On the other hand, wage earners constitute a larger class than what is sometimes described as the industrial proletariat, for they are not confined to factory labor or to employees in large-scale, mass-production industries. They include many employees in small service and production units. They are the largest single group in the labor force.

To define wages as only the compensation of wage earners represents a somewhat stilted definition of wages. It violates much current usage, which is somewhat careless. "Wages" in popular language refers to compensation for all sorts of services. Moreover, the term is used at one time to describe the amount of compensation, at another to describe a rate of payment, and in other connections to include total wage costs. For clearer understanding, it is necessary, therefore, to recognize more rigorous definitions.

2.1 *Wages and Wage Rates.* *Wages* should be sharply distinguished from *wage rates*. Wage rates represent a basis for compensation, rather than any actual payment. Wages, on the other hand, are a product of

[1] See, for example, Robert D. Gray, in "Training and Research in Industrial Relations III," *Bulletin* 4, Minneapolis, University of Minnesota Industrial Relations Center, 1947.

[2] Paul H. Douglas, *The Theory of Wages*, New York, The Macmillan Company, 1938, p. 9.

two factors, of which the wage rate is one. The other is a measure of employment. In other words, a wage rate of $1 per hour or of $10 per day can be used as a measure of wages only when the period of employment is known. Similarly, a piece rate can be translated into wages only when performance is known. Wage rates represent the amount paid per time or piece unit of service. The term is most commonly used to refer to hourly or daily rates. Actual wages frequently include premium payments for overtime, Sunday work, or other variations. Sometimes, contracts specify guarantees of overtime at premium rates, as for example, 44 hours' work per week, 40 at straight time, and 4 at time and one-half. For this reasons, comparisons of wages frequently use *average straight-time hourly earnings* (sometimes referred to as "ASTHE"), to avoid errors and improper implications.

2.2 *Wages and Earnings.* The term wages is more closely comparable to earnings than to wage rates. Earnings are the actual payments made for services. They represent the product of wage rates and employment, and they also include bonuses and premiums. They may, however, be subject to deductions, including payroll taxes and other charges. "Take-home pay" is a term sometimes applied to earnings from which deductions for insurance, bond purchases, contributions, and union dues have been subtracted. It is the actual net amount available to the wage earner for the pay period.

2.3 *Wages and Income.* Wages may also be distinguished from income. A wage earner may have several sources of income. Some of these may lie outside his employment, if, for instance, he has income-producing property.[1] Further, wage earners receive certain types of income from employers which, though usually lumped with wages, are not exactly that. Such, for instance, are disability benefits and retirement pensions. These items are usually included as wages in calculations of totals of labor's share in value production but are not included in descriptions of wages of particular groups or individual employees. In some cases, the distinction between wages and other income is particularly difficult, for certain wage earners receive payments that combine wages and other types of remuneration. Thus, for instance, farmers or farm laborers may receive payment both for labor and for the capital they have invested as well as for the risks they take, and the same is true of small storekeepers and others among the self-employed.

2.4 *Wages and Salaries.* Wages may be distinguished from salaries, although the two terms are used synonymously at times. In the more

[1] According to the Census Bureau, five-sixths of all wage earners received less than $50 from sources other than wages in 1939. Those who have such outside income appear to be concentrated among higher and lower wage groups. For higher groups, such income reflects rent and interest payments; for lower groups, relief payments. See *Population Report* of Sept. 10, 1942, Series P-14, No. 2.

restrictive usage, however, salaries are calculated upon a basis of longer periods of time and are thought of as payment for highly technical, managerial or professional or semiprofessional services, such as those of supervisors, foremen, managers, or teachers and public officials. The distinction also reflects the time period of payment. It is common practice, for example, to separate salaried employees from "hourly rated" employees. The latter receive wages.

2.5 *Wages and Labor Costs.* An important distinction must be made between wages and *labor costs.* Much confusion has arisen out of failure to realize that the two terms are not at all synonymous. Wages may be calculated on the basis of hours of work, units processed, or combinations of these measures. Labor costs, however, can be calculated in only one way, by reference to the cost of labor per unit produced. In other words, while wages may be calculated as so much per hour, per piece, or in some more complicated manner, labor costs must be measured as so much per item. Only in the case of simple piece rates, therefore, are wages and labor costs similar. Even in such cases, there are social security, insurance, and other items that add to labor costs per piece. On any other basis of wage payment, it is perfectly possible and frequently true that low wages may mean high labor costs and that high wages may mean low labor costs, a condition attributable to the fact that low wages may be associated with reduced output. Failure to recognize this simple fact is largely responsible for what has been described as "the most tragic misunderstanding in history," that in which managements have struggled to keep wage *rates* down on the theory that any increase inevitably means higher labor costs.

2.6 *Wage Rates and Purchasing Power.* Another serious source of confusion in popular discussion of wages is that which suggests that wage *rates* represent purchasing power. This error in thinking is typical of no single group—it has been expressed by industrialists, by union leaders, and by individuals in all walks of life. When the first onslaughts of the great depression of the 1930's were felt, for example, a group of industrialists, using the somewhat ungrammatical slogan, "High wages is good business," insisted that they would stem the force of the recession by increasing wage rates. Actually, of course, the vast and growing unemployment of that time reduced earnings far more rapidly than could be counteracted by any increase in rates of pay.

From the point of view of the wage earner, the most important characteristic of wages is their purchasing power. Most modern societies have shown similar interest in that aspect of wages. To society, as has been indicated, that power represents a large part of all consumers' demand for commodities. To the wage earner, it represents the measure of those wants that he is able to satisfy. But wage rates are not purchasing

power. Earnings are. Hence, any program designed to increase or maintain purchasing power should look to its effects on earnings, the product of rates and employment. This may mean, in some labor markets and at particular times, that lower rates will increase or maintain earnings. It also means that enforced minima of wage rates or maxima of hours are far less reliable guarantors of purchasing power than even a minimum guarantee of employment or earnings, and that minimum wage and maximum hour laws may adversely affect purchasing power if they restrict employment.

2.7 *Real Wages.* Even the measure of earnings is only a crude index of purchasing power, because it must be related to the prices of goods and services to be purchased. An increase of earnings may not mean the possibility of additional purchases if prices have risen. High dollar wages do not, in other words, necessarily mean prosperity for wage earners. If prices are proportionately high, employees may be no better off than they would be if lower wages were paid and prices were proportionately lower. This consideration is the basis for an important distinction between *money wages*, or *nominal wages*, and *real wages*. *Nominal wages* represent actual money payments, measured in dollars and cents. Real wages are the equivalents of money wages in terms of commodities and services. They represent a measure of the purchasing power of money wages.[1]

The manner in which rising money wages may be deflated in terms of purchasing power has been demonstrated in every inflationary period. Thus in 1948, weekly earnings were some 2.13 times as great as they were in 1939. But the purchasing power of these high dollar wages was only 1.28 times as great as in 1939, because prices of the things they were used to buy had advanced 67 per cent from their 1939 levels. In France, to take an example of more serious inflation, prices advanced to 28 times their former level in the period from the beginning of World War I to the 1947–1948 postwar period. Wages did not keep abreast of this increase, so that real wages suffered a serious decline.

2.71 *Scales and standards of living.* Real wages, for most wage earners, exert a powerful influence on their *scales* of living, that is, the actual quantities and types of goods and service they consume. Indirectly, living *standards* are also affected. The latter represent more or less idealistic conceptions of what may be regarded as essential values. Such standards may or may not be attained. They include nonmaterial as well as material values. The former are frequently regarded as more important than the latter. Thus spiritual or aesthetic values may be dignified beyond mere material considerations. While economics is, for

[1] See in this connection, Maurice Dobb, *Wages*, London, James Nisbet and Co., Ltd., 1946, pp. 25–40.

the most part, concerned with material values, both types have important economic implications.[1]

Real wages take on added significance when viewed from the perspective of their far-reaching social implications. They are not merely measures of the real income of wage earners. They are determinants of living scales and are strongly influential on standards of living. In turn, these measures of the adequacy of income exert numerous and varied influences on both short- and long-term changes in society. In part, this significance arises out of the fact that living standards continually condition all human behavior. For example, standards of living are an important factor in the growth of population. Populations tend to increase up to the point where they threaten existing community and family living standards and scales. Similarly, living standards and scales directly affect demands for goods and services and are, therefore, elementary forces in determining the vocational allocation of manpower. They are closely related to the efficiency and productivity of manpower utilization, of which they are both a cause and a result. Other things being equal, employees with higher living scales are likely to be more productive, because of improved health, of superior training and adaptability, and of greater initiative. On the other hand, increased productivity and resulting greater earnings make higher living scales possible.

Living scales are among the most generally accepted measures of progress. They are reflected in death rates, in poverty, in education, and in all the mechanical and engineering advances generally associated with progress. There is cause-and-effect relationship here, also. Higher living scales permit progress, in that they provide greater opportunity for reflection, discovery, and invention, which are encouraged in societies that have a surplus of income over and beyond the bare necessities of life. Such a surplus permits leisure and experimentation and provides funds for research and investigation. In turn, research results in further discoveries and improved efficiency. It thus reduces costs and prices, making additional commodities available to all, and thus raising living standards. At the same time, increasing efficiency reduces the pressure for long hours in industry, thus allowing greater leisure.

2.72 *Wages and savings.* Although wage rates are not purchasing power, wages or earnings are closely related to purchasing power, especially as the latter is reflected in demands for consumers' goods. For wage earners' income is largely expended; only a very small proportion is saved. Most savings are provided by the higher income groups. As a result, if an economy at a specified time is in need of savings—to be used to provide added capital equipment—then increasing wage rates or earn-

[1] See Alfred Marshall, *Principles of Economics*, London, Macmillan & Co., Ltd., 1920, 8th ed., Book VI, Chap. XIII.

ings is not the most likely method of achieving this end. If, on the other hand, oversaving is evident and what is needed is increasing demand for consumers' goods—for food, clothing, household equipment, etc.—then measures designed to increase earnings may be expected to provide the desired result.

2.8 *Systems of Wage Payment.* Wages may be paid on an hourly basis, or as so much per piece, or on more complicated bases. *Time rates* are generally calculated per hour, per day, or per week. They permit a wide latitude of performance among employees. They are necessary in occupations where performance is not and cannot be made uniform, and where conditions beyond the control of the employee make piecework improper. In farm work, for instance, or in plumbing, no definite units of performance can be easily established. Hourly rates are satisfactory where, as in a production line, definite performance of a specified number of operations per period is automatically enforced. Many labor organizations favor time rates because they tend to "standardize" wage payments. In other situations, time rates are firmly entrenched in tradition, while in still others, their simplicity is preferred to any more complicated method of payment. They place great responsibility on foremen and may encourage "slave-driving" tactics. They do not reward unusually efficient performance by individual workers. Managements may prefer piece rates, because they facilitate the determination of labor costs. It is frequently asserted that time rates may encourage employees to regard efficient performance as of little importance.

2.81 *Piecework.* Piecework wages are possible only where the task can be apportioned into definite and equal units. In operating semi-automatic machines, where quantities of production can be measured by counting or by weighing, piecework wages are readily used. Piecework wages give more rapid employees a distinct advantage in earnings. They may lose much of their apparent value to an employer, however, if they cause employees to ignore considerations of quality and to increase spoilage. Employees often fear piece rates, because they are regarded as facilitating the "speed-up," in which increases in employee productivity are not compensated proportionally. Opponents of piece rates argue that employees may endanger their health and that of fellow employees in efforts to increase earnings.

2.82 *Incentive wage plans.* There are a number of "incentive wage plans" that represent minor variations from piece rates. Generally, they provide premiums for unusual performance, but do not allow as great compensation for such efficiency as does the straight piece rate. Some of them also seek to exert a selective effect on employees in that only efficient performers are able to earn what is regarded as a minimum wage. Less efficient employees are thus encouraged to seek other employment. Employees have frequently objected to incentive systems, because they

may be so complicated that the average employee cannot calculate his earnings. They object also to the pressure for increased output.

2.83 *Sliding wage scales.* *Sliding wage scales* have most frequently provided for wage adjustments to accompany changes in the price of the product. Such arrangements may be traced back at least as far as 1870, when British coal miners contracted with employers for such a flexible compensation. More recently, the same group has favored wage adjustment according to the income of the business, with, however, an irreducible minimum wage. Thus, the sliding scale may become closely related to profit sharing. Similar agreements in Britain adjust steelworkers' wages according to changes in the price of pig iron. A variant of the sliding scale is the "index number" wage, in which rates are adjusted to compensate for changes in living costs, retail prices, or wholesale prices.

2.84 *Payment in kind.* Some employees are compensated in part by "payments in kind" or "keep." Thus farm labor generally receives room and meals, as do many institutional employees.

2.85 *Current practice in wage payment.* Dependence on one or another of these methods of wage payment varies from time to time. In general, the trend over the past fifty years has turned away from simple piece rates and toward hourly rates and incentive wage systems. Certain types of industries have consistently depended on one or another type. Piece rates and incentive plans are little used in the building trades and in printing and publishing. They are frequently used in steel fabricating and in nonferrous mining and fabrication, also in textiles, flat glass, and electrical equipment manufacturing, and they are widely used in clothing, coal mining, shoe manufacturing, rubber, hosiery, and hats and millinery industries.

2.9 *Fringe Wages.* During World War II, when hourly rates of pay were closely regulated, alert representatives of labor frequently secured significant increases in earnings for employees by what came to be known as fringe "issues" or "adjustments." Thus, for example, a reduction in the straight-time work-week from 48 to 40 hours frequently meant 4 hours of additional compensation, or 8 per cent increase in pay. Two weeks of paid vacation represented a 4 per cent increase. Welfare, insurance, hospitalization, and other similar provisions might add from 2 to 10 per cent to earnings. Some 30 types of "fringe" payments have been noted.[1]

3.0 Wage Levels and Structures

Reference is frequently made, in discussions of wages, to wage levels and to wage structures. Brief attention may well be given to each of these terms and the conditions they describe.

[1] See *Termination Report of the National War Labor Board*, Washington, Government Printing Office, 1948, Section V.

3.1 *Wage Levels.* The notion of wage levels involves a conception of averaging or indicating "typical" amounts of wages. The term is frequently applied to composite informal averages of wages, as of all employees in an industry or locality. Thus, for example, the term may describe all wages in the community or those of the automobile industry. It may thus obscure or ignore rates on particular jobs or individual occupational rates.

Wage levels may refer either to wage rates or to earnings, but the term is more frequently applied to rates. Generally, reference to wage levels involves an element of comparison from time to time or place to place. Wage levels are said to be rising or falling, or higher or lower. Because of the aggregate nature of the "level," caution must be exercised in the use or interpretation of such information. It may obscure more than it discloses.

3.2 *Wage Structures.* Wage structures may be regarded as hierarchies of occupational rates or earnings within a single industry or locality.[1] The "structure" refers to the fact that there are differences in amounts customarily paid for various occupations and that these differences show a continuity of pattern. Description of a wage structure thus emphasizes the relationships among wages paid for all the various jobs under consideration. The concept of wage structures is a convenient and useful one because it tends to emphasize the "relative" nature of wages—the fact that rates on any single job are related parts of a complex system. For that reason, wage rates cannot be understood simply in terms of the abstract worth of a single job. They must be seen as parts of a whole, with traditional as well as logical relationships to all the other jobs in the system.

Wage structures in some industries or labor markets are very complex, involving hundreds of individual rates. They may, on the other hand, be relatively simple. The wage structure of the steel industry is an example of the first type. As illustrative of a simple structure, Fig. 5.1 represents the wage structure of ferrous foundries in one area.[2]

3.3 *Differentials in Wages.* Structures imply differences as well as relationships. These differences in rates or earnings are generally described as *wage differentials.* Thus, for example, there is a differential

[1] Wage structures should not be confused with what is sometimes described as the "structure" of labor markets. The latter usage refers to the patterns of labor supply-and-demand schedules presumed to exist and to determine the levels of wage rates and employment. For example, see Lloyd G. Reynolds, "Some Aspects of Labor Market Structure," in *Insights into Labor Issues,* edited by Richard A. Lester and Joseph Shister, New York, The Macmillan Company, 1948, pp. 267–304.

[2] For an excellent discussion of wage structures, see John B. Parrish, "Impact of World War II on Internal Wage Structures," *Southern Economic Journal,* Vol. 15, No. 2, October, 1948, pp. 134–151.

of 12 cents per hour between the rates of cupola tenders and core makers in the foundry wage structure illustrated in Fig. 5.1.

Such differentials deserve special mention and attention. To the wage earner, differentials may be considerably more important than rates. Rates on other jobs become yardsticks in appraising his own, and differentials indicate whether he is gaining, losing, or standing still. Thus, a bricklayer may judge his rate in terms of his differential over what helpers are receiving or the differential between his job and that of

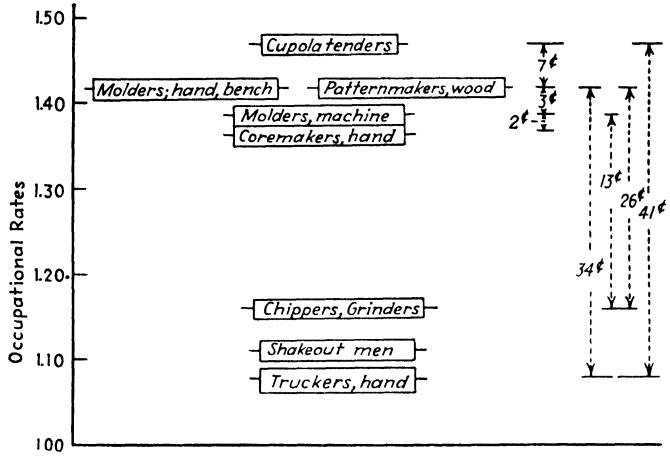

FIG. 5.1. A simple wage structure—wage rates in grey iron foundries. (*Selected data*, 1948.)

an electrician. Within the plant, and within the community, differentials have direct implications for the status or prestige of the job holder.

3.31 *Shrinking differentials.* When differentials are reduced, so that job rates become more nearly equal, that change may distress higher paid employees. During World War II, for example, wage stabilization procedures tended to narrow differentials by granting flat increases "across the board." As a result, higher rates tended to increase by a smaller percentage than lower rates, and, in some industries, by a lesser absolute amount. Highly skilled employees felt that they were subject to discrimination. Some postwar conflict unquestionably reflected a determination to restore earlier differentials.[1]

It is clear, of course, that identical differentials cannot usually be maintained over long periods of time. Changes in technology and in factors affecting supplies of manpower do not affect all jobs equally.

[1] In pre-World War II manufacturing industries, a rough rule-of-thumb principle held that rates paid top skilled employees were generally from 140 to 160 per cent of those paid common labor. At the close of the war, this percentage was down to 130 or lower in many industries and localities.

There is some evidence that the tendency to narrow differentials represents a long-term trend. As wage levels rise, lower rated jobs appear to improve more rapidly than those in upper brackets. Organization of semiskilled and unskilled employees in industrial unions may have exerted an important influence in this direction.

3.32 *Skill differentials.* Discussion in preceding paragraphs has emphasized only one of the important bases for differentials in wage structures. Differentials between job rates in an industry are based on several considerations, as disclosed by modern *job evaluation*, of which skill, responsibility, and working conditions are among the more important. Because of the long-time significance of skill in such rates, occupational differentials are generally regarded as skill differentials.

3.33 *Sex differentials.* In many industries and localities well-established patterns of wage rate differentials are based on sex. Female employees, regardless of the jobs they hold, receive lower rates of pay. Some of the problems thus created are discussed in a subsequent chapter.

3.34 *Geographic differentials.* There are also well-established geographic differentials, in which the same jobs are paid at different rates in different localities. Thus, southern cities are, in general, likely to have lower rates than those in the North. Small cities and rural areas generally pay lower rates than urban centers. To some extent, rates and costs of living are correlated in these differentials. Many reasons are given for these place-to-place variations. Most common, perhaps, are differences in living costs, although there is frequently an allegation that skill and labor productivity also vary. Capital-manpower ratios and differing technological arrangements are cited as explanations, as are transportation and marketing costs, the presence or absence of unions of employees, and the size of establishments. Actually, such evidence as has recently appeared throws serious question on the consistency and reliability of any such explanations. The patterns are by no means as clear as has been supposed. Moreover, the range of rates within a locality is frequently as great or greater than any consistent differential among localities. Grave question exists therefore as to any economic justification for many such differentials.[1]

One of the distinctive characteristics of labor markets—noted in an earlier discussion of such markets—is the persistence of varying local rates. In many localities, rates of pay on the same job frequently vary from firm to firm. Must it be concluded that these differences are compensated by other conditions of employment—that where job rates are low, other conditions are superior? The reality of such variations in

[1] See, in this connection, Richard A. Lester, "Diversity in North-South Wage Differentials and in Wage Rates within the South," *Southern Economic Journal*, Vol. 12, No. 3, January, 1946, pp. 238–262; also Bureau of Labor Statistics budget studies of 1933–1936.

rates was widely noted in studies made for the War Labor Board as a basis for determination of sound and tested going rates. Peacetime wage surveys and studies of wage structures disclose a similar situation. At least one of these studies has sought to appraise employment conditions associated with these variations and has concluded that there is little in the way of balancing. On the contrary, less favorable working conditions appear to be associated with and to appear in the firms paying the lower rates.[1] The situation clearly evidences a limited mobility on the part of such manpower.

To a considerable extent, geographic as well as other types of wage differentials must be attributed primarily to differences in the wage policies of employers. Their decisions exert such a great influence because of the immobility of manpower and its tendency to continue in an industry and locality in spite of more lucrative alternative employments.[2]

3.4 *Changing Structures and Levels.* Structures show a strong tendency toward continuity and persistence over long periods of time. On the other hand, both structures and levels change, the latter much more frequently and rapidly than the former. Perhaps most striking in such changes is the long-term trend toward higher levels of wages. At least as significant in creating labor problems, however, are the declines in levels of wages that take place during periods of business recession. They should dispel the frequent assertion that wages or wage rates never decline.

Something of a pattern may be found in such cyclical reductions in wage rates. In general, they appear first among smaller firms and in industries characterized by comparatively high proportions of small firms. In the depression of the early 1930's for example, industries in which wage reductions most promptly followed reductions in employment included carpets and rugs, boots and shoes, brick and related products, hosiery and knit goods, paper and pulp, cotton goods, and women's clothing. Those in which wage cuts were most delayed after employment turned downward included automobiles, engines and turbines, textile machinery, and others. Evidently, larger firms are both more willing and more able to maintain rates in periods of recession than are smaller business units.[3] Evidence is not clear as to whether this flexibility carries over into the upward swing of the cycle. Additional study on this point might well be undertaken.

[1] See C. A. Myers and W. R. Maclaurin, *The Movement of Factory Workers*, New York, John Wiley & Sons, Inc., 1943, p. 59.

[2] See John W. Riegel, *Wage Determination*, Ann Arbor, University of Michigan Bureau of Industrial Relations, 1937.

[3] See J. Shister, "A Note on Cyclical Wage Rigidity," *American Economic Review*, Vol. 34, No. 1, Part 1, March, 1944, pp. 112*ff*.

4.0 Measures of Wage Income

In the United States, the Federal Fair Labor Standards Act and numerous state laws seek to assure minimum levels of wage rates and to require premium payments for overtime. Federal, state, and local governments carefully note indications of inadequate wages, because relief programs are available to provide supplemental aid under some circumstances.

The problem of securing satisfactory measures of wages is frequently encountered in planning and carrying on all such programs. In part, the problem is one of determining what measure of wages will provide the most useful index of the current adequacy of wages and of changes that may be taking place. In part, the problem reflects limitations in available wage data.

The first of these problems has been suggested in the discussion of wages, earnings, and income in a preceding section. From that discussion, it is apparent that wage rates provide only a crude indication of levels and changes. More useful is a measure of earnings, particularly weekly earnings, for it reflects both rates of payment and employment. But weekly earnings do not directly measure the volume of unemployment and may not, for this reason, indicate what has happened or is happening to purchasing power. Questions of the adequacy of family or household income, of wages as a share in the national income, and of changing living costs are also relevant in measuring wage income.

4.1 *The Household as a Unit.* Reports of weekly earnings of those employed cannot show what the household, the most realistic conception of a spending unit, has at its disposal. For earnings of employed members may be counterbalanced by unemployment of other members. Under such circumstances, spending must be curtailed as realistically as if weekly earnings of all normally employed members had been reduced.

There is good reason to believe that public programs designed to maintain incomes and purchasing power would be more effective if greater attention were given to households rather than individuals as units. Current information on household incomes might provide a far more effective barometer than is presently available. Such an index would also reflect part-time employment and unemployment of the working members. Current practice, however, depends largely on reports of individual earnings and hours to provide indications of changes in levels of employment, including part-time employment.[1]

4.2 *The Nation as a Unit.* Another approach to the problem of wage measurement seeks to register the influence of both wage rates and employment (including unemployment) by checking on the annual income of the nation as a whole. For the entire nation, unemployment

[1] See, in this connection, Dale Yoder, D. G. Paterson *et al.*, *Local Labor Market Research*, Minneapolis, University of Minnesota Press, 1948, Chap. IV.

or part-time employment will obviously affect the total of production and income. Hence, in this approach, attention is directed to the national income and its distribution among classes of income receivers. Particular consideration is given to personal income, as distinguished from the income of other factors of production.

4.3 *Measuring Costs of Living.* Public and semipublic studies of living scales and costs are at least as old as the factory system. Surveys of the living conditions of employees, such as those which characterized the period of the Reform Bills in England, though not described as studies of living scales, were in reality attempts to discover pertinent data on this subject. They have been continued up to the present time, and records of a long series of these studies are now available. In the United States, numerous national and local studies have been made since the beginning of the present century by the Bureau of Labor Statistics and by other public as well as private agencies.[1]

Various techniques have been devised in efforts to measure scales and standards of living. Because such composites include both material and nonmaterial values, measurement is complicated. It is possible, on the other hand, to compare the costs of various scales, through analyses of family or individual budgets. Similarly, comparisons of earnings with such costs can indicate what scales of living are possible for recipients of various levels of income.

This is precisely the procedure followed in appraising real wages. Family budgets are analyzed to discover what families spend and what they buy with these expenditures. Then, for a specified class of families, a standard "market basket" of requirements (so many cans of beans, pounds of hamburger, suits of clothes, pairs of shoes—so much for rent, for transportation, for heat and light, for furniture, etc.) is prepared. Thereafter, by pricing these items, a measure of changing living costs is provided. At the same time, wages (or better, earnings) can be "deflated" or "adjusted" by dividing earnings by an index of costs of living to provide a measure of real wages.[2]

In all such comparisons, it is frequently convenient to make use of a device called an "index number," whereby conditions characteristic of one period are given an arbitrary rating of 100 and variations from this condition in other periods are expressed as ratios of the one so designated. The period that is arbitrarily designated as equal to 100 is called the base,

[1] See, for detailed references to such studies, Faith M. Williams and Carle C. Zimmerman, *Studies of Family Living in the United States and Other Countries*, Washington, U.S. Department of Agriculture, 1935.

[2] Since World War II, when the Bureau of Labor Statistics index was criticized as not accurately reflecting quality as well as price changes, it has been called the index of consumers, prices. Those who prepare it thus disclaim responsibility for such variations as may be introduced by changes in quality.

or base year. In the following pages, for instance, when wages, living costs, or real wages for various years are to be compared, the most common base is the average of the years 1935–1939. That average is designated by the index number 100, and all years are expressed as percentages of this base.

4.31 *Budget studies.* The foundation for all measurements of costs of living is careful analysis of family budgets. Effort is made to determine what commodities and services are included in such budgets and how large a part each plays. The family or household has long been accepted as the appropriate unit in such studies, which is another reason why that unit deserves special emphasis in income analysis as well.

Most budget studies have been confined to wage earners' families. As a result, the indexes are strictly appropriate only for such families, although they are frequently used in calculations affecting salaried employees and others.

Studies involve detailed analysis of how the incomes of wage earners are spent. Items in the wage earner's budget are commonly grouped in five or six major classes. The National Industrial Conference Board budget, which illustrates typical practice in this respect, contains six classes, including housing, clothing, fuel and light, house furnishings, sundries, and food. The more widely used Bureau of Labor Statistics index also contains six classes: food, rent, clothing, fuel and light, house furnishings, and miscellaneous. Each of these classes must be weighted according to its proportionate importance in the total budget. Weights necessarily change from time to time and from one locality to another. Consumption habits vary from one place to another. Northern cities show larger expenditures for clothing and fuel, for example. Hence, individual patterns of weights must be provided for each city for which an index is prepared.[1] Buying and consuming habits change, also, and these fluctuations must be recorded in any realistic index. Table 5.1 indicates the weights applied by the Bureau of Labor Statistics at two periods. The footnote to that table summarizes National Industrial Conference Board weights as used in its nation-wide index.

When budget costs are used to estimate required income for a wage earner's household, two assumptions become necessary. One concerns the minimum scale of living to be accepted as satisfactory. It must answer such questions as: What foods are essential? How many suits or dresses or shoes are necessary? Shall a minimum budget include movies, tobacco, or liquor? Estimates as to budget requirements frequently vary because these questions are given different answers.

[1] For details of these weights for individual cities, see *Consumers' Prices*, 1914–1948, New York, National Industrial Conference Board, 1948, p. 50. The Conference Board prepares indexes for 62 cities as well as a national index number each month.

A second assumption must be made as to the size of the family to be considered. Largely to permit comparisons among estimates, practice long assumed a "standard" family of five members—husband, wife, boy of eleven, girl of five, and boy of two years. This practice was frequently criticized on the ground that the "average" family is one of 3.8—rather than five—members. Moreover, family size is declining. As a result, recent practice has studied budgets for a family of four. At the same time, it should be noted that wage earners' families are larger than the average and that data are readily adjustable to fit varying composition of the household unit (see Chap. 7, section 1.2).

TABLE 5.1. PERCENTAGE DISTRIBUTION OF COSTS IN BUREAU OF LABOR STATISTICS CONSUMERS' PRICE INDEX[1]

	1935–1939	Sept. 15, 1946
Food	35 4	42.2
Clothing	11 0	12 5
Rent	18 8	14 0
Fuel, electricity, ice	6 7	5 2
Housefurnishings	4 4	4.8
Miscellaneous	23 7	21.3
Total	100 0	100 0

[1] Source. Research Institute of America, *Business Control Coordinator: Labor*, Paragraph R-616, 1949. The National Industrial Conference Board Index for the nation as a whole weights major items as follows:

Food	33%
Housing	19
Clothing	10
Fuel and light	6
Housefurnishings	4
Sundries	28
Total	100%

For information on the National Industrial Conference Board Index, see *Consumers' Prices*, 1914–1918, New York, National Industrial Conference Board, 1948.

4.32 *Engel's law.* Many studies have clearly evidenced the continuing tendency to vary the proportions expended on each class of items and on individual items within each class.[1] Similarly, it has been frequently noted that as wage earners attain higher income levels, they spend smaller proportions of income for necessities and larger proportions

[1] See Faith M. Williams and Carle C. Zimmerman, *Studies of Family Living in the United States and Other Countries*, Washington, U.S. Department of Agriculture, 1935; Bureau of Applied Economics, Inc., *Standards of Living—A Compilation of Budget Studies*, Washington, 1932; R. G. D. Allen and A. L. Bowley, *Family Expenditure: A Study of Its Variation*, London, P. S. King & Staples, Ltd., 1935. See also Faith M. Williams, "Money Disbursements of Wage Earners and Clerical Workers in Eleven New Hampshire Communities," *Monthly Labor Review*, Vol. 42, No. 3, March, 1936, pp. 554–563, and other similar reports for other localities: "Consumption Habits of the American People," *ibid.*, Vol. 46, No. 3, March, 1938, pp. 608–621.

for luxuries. This characteristic is frequently referred to as Engel's law.

4.4 *Limitations of Information.* Current information on wage rates, hourly and weekly earnings, national and family income, costs of living, and costs of maintaining reasonable scales of living—information on all these important measures of wages is distinctly limited in most modern societies. In some cases, data are available for nations as a whole, but not for states or cities. In others, information may be released for only a few cities. Data may be secured on a monthly, annual, or irregular time-to-time basis.

Data are provided by both public and private agencies. The next section describes the most important current series and notes recent changes in these measures.

5.0 Wage Statistics

This section of the chapter seeks to describe the most useful wage statistics that are currently available. At the same time, notable recent changes—as evidenced by these data—may be noted, although discussion of their more important implications is reserved for a later chapter.

Many limitations of current wage information will be immediately apparent and may be more impressive than the actual data presently available. There are, for example, only very limited facts with regard to local labor markets. Cost-of-living—and hence real wage—indexes are available for less than a hundred metropolitan areas throughout the nation. For many of these, they are calculated only at quarterly intervals. International comparisons are difficult, because consumption habits show wide variability. These are but a few of the shortcomings of current wage data—data that have great significance for public and private policy.

5.1 *Wage Rates and Earnings.* Rates of wages are frequently reported, in local labor markets, by the public employment service and by both unions and local employers' associations. Most compilations describe hourly or weekly earnings. Releases of earnings data are available from several sources. Employment service reports may include such information for a few occupations in local labor markets. Information for a number of localities is compiled by the Bureau of Labor Statistics, which releases such information each month in index-number form. Because these data are obtained by voluntary reporting to the Bureau, local samples may not be representative, so that indexes may have limited reliability.[1]

State administrators of unemployment compensation also release

[1] See Dale Yoder, D. G. Paterson *et al.*, *Local Labor Market Research*, Minneapolis, University of Minnesota Press, 1948, pp. 155, 157–158.

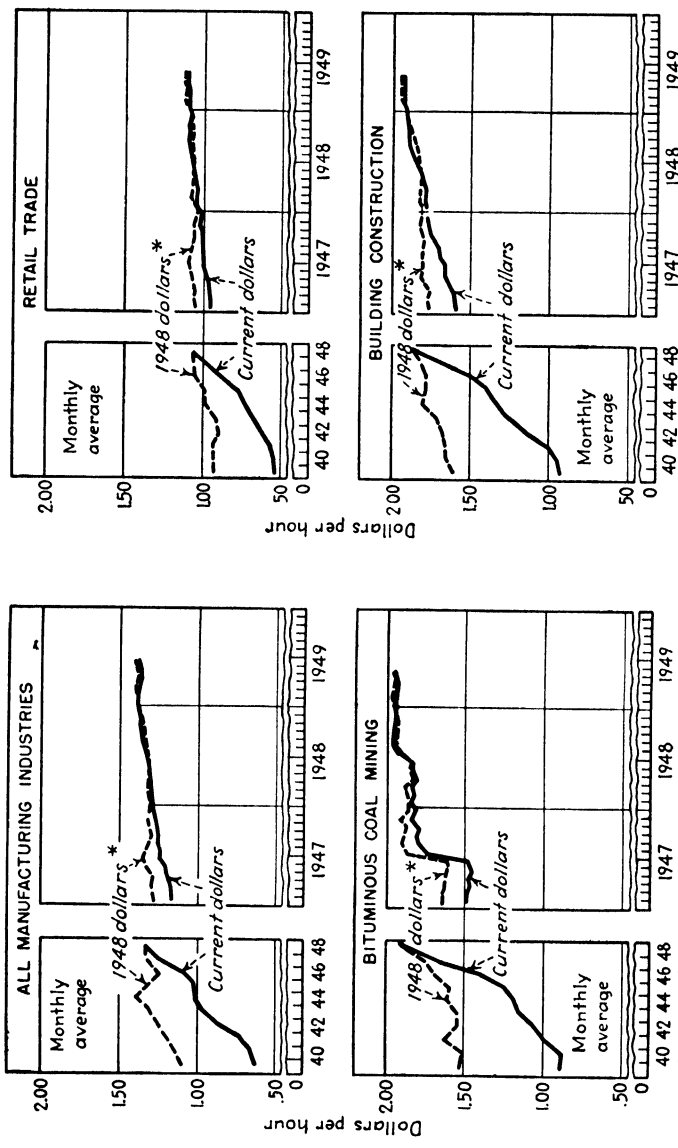

FIG. 5.2. Average hourly earnings in four industries. (*Bureau of Labor Statistics data from Economic Indicators. Up-to-date charts appear each month in this publication.*)

reports of hourly and weekly earnings within the state and its major cities. They are generally compiled on a quarterly basis and usually released several months after the close of the quarter.

Bureau of Labor Statistics reports on hourly and weekly earnings summarize national data for each month. Compilations are released in the *Monthly Labor Review* and indicate both average hourly and average weekly gross earnings. They reflect employer reports as of the pay period nearest the fifteenth of the month. Data are released for durable and nondurable goods, including 19 manufacturing and 5 nonmanufacturing classifications. For a more limited group of employees, refined data—excluding overtime payments—are available.

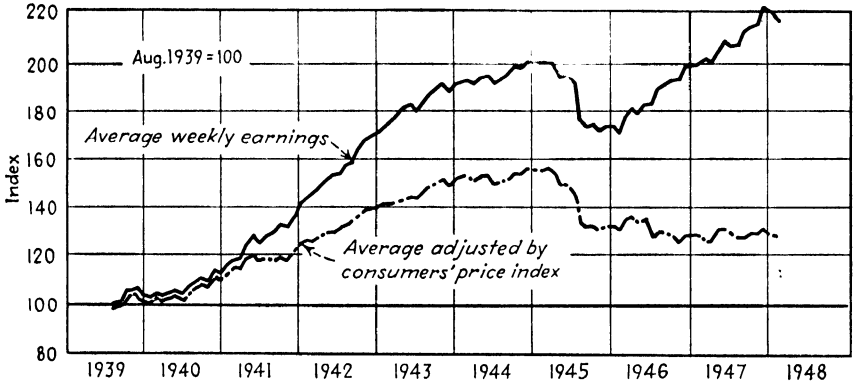

FIG. 5.3. Weekly earnings in manufacturing, 1939–1948. (*Index numbers based on 1939 = 100. Bureau of Labor Statistics data. Figure from BLS chart series. Charts showing average hourly as well as weekly earnings in manufacturing, retail trade, bituminous coal mining, and building construction are published each month in Economic Indicators and data are summarized in the Monthly Labor Review.*)

Figure 5.2 indicates changes in average hourly earnings, as shown in these Bureau of Labor Statistics series, for four major industry groups. The chart shows earnings in dollars per hour. Figure 5.3 presents a somewhat longer view of weekly earnings in manufacturing. In this case, data have been stated in index form based on 1939 as 100. In both figures, less prominent lines indicate the adjustment made in such earnings when changing living costs are accounted for.

5.2 National Income Distribution. Data on the size and distribution of the national income in the United States are prepared and released by the Federal Department of Commerce. Over-all estimates are available on a quarterly basis, with more detailed breakdowns for each full year. Such data provide a measure of the total income of wage and salaried groups and may be translated into estimates of per capita income and average family income.

Until 1937, estimates of national income were based largely on income tax returns. As a result, reporting was necessarily delayed. Individual income tax reports were, for the most part, filed as of March 15, following the close of the year, and several months thereafter were spent in compiling and analyzing the data thus provided. Since 1937, however, a somewhat different approach bases estimates of national income on more inclusive calculations of the gross national product.

5.21 *Gross national product analysis.* The gross national product, as estimated, measures the market value of the whole output of goods and services produced by the nation. In current practice, a subsidiary calculation measures the national income in private sectors of the economy, which is the total of earnings accruing to suppliers of the factors of production, *i.e.*, compensation of employees, of proprietors, of suppliers of capital, and corporate profits, including adjustments in inventory valuation. Similarly, government income is calculated as an addition to private income.

The procedure by which gross national product, national income, personal income, disposable income, and savings are related may be illustrated in simplified form as shown in Table 5.2, which summarizes these estimates for a recent year. Calculations begin with an estimate of the gross national product, in this case 253 billion dollars. From this

TABLE 5.2. GROSS NATIONAL PRODUCT AND PERSONAL INCOME, ESTIMATES, 1948[1]
(In billions of current dollars)

Gross national product		253
Less: Depreciation, transfer payments, etc		15
Net national product		238
Less: Business taxes, etc		14
National income		224
National income		224
Less: Corporate profits, inventory valuation adjustments, social security taxes, etc.	28	
Plus: Transfer payments, government interest, and dividends	18	
Net deduction		10
Personal income		214
Less: Personal taxes		23
Consumer income		191
Less: Personal consumption expenditures		177
Personal saving		14

[1] Adapted from current reports in *Economic Indicators*. For more detailed analysis, see February issue of the *Survey of Current Business*, each year.

is subtracted an item to allow principally for depreciation and business transfer payments that appear in the reports but do not represent additions to the net national product. The latter, for the year shown in the

table, is 238 billion. From this net product, national income is calculated by deducting indirect business taxes and allowing for various statistical discrepancies.

National income includes compensation for all the factors of production. In order to arrive at a figure representing personal income, it is necessary to eliminate corporate profits and inventory valuation adjustments and social security tax payments and to balance these deductions against

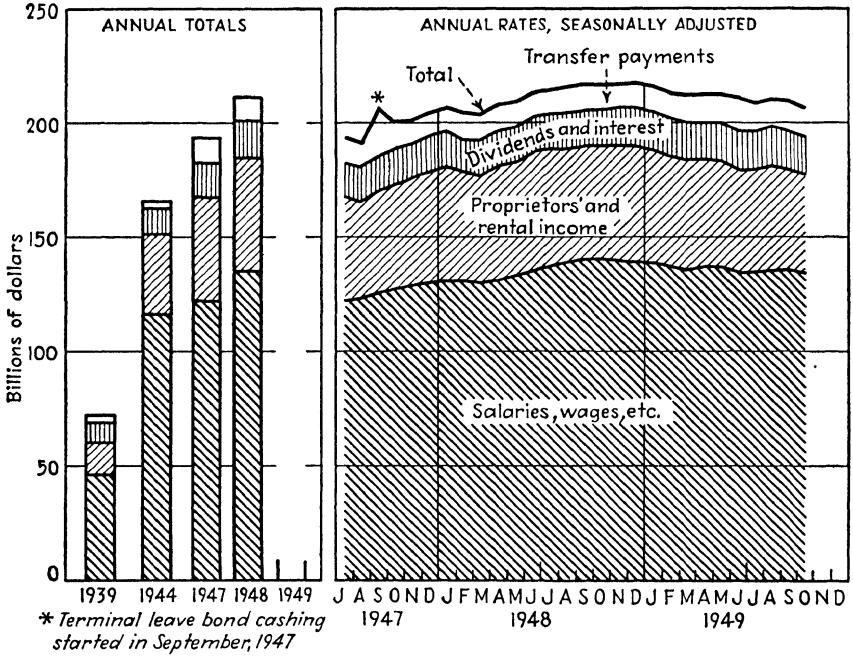

FIG. 5.4. Distribution of personal income, 1939–1949. (*This figure, brought up to date, is published in each issue of Economic Indicators.*)

government and business transfer payments, interest paid by government, and dividends. In the year under consideration in Table 5.2, these items reduce the total to 214 billion of personal income.

Not all of this personal income is available for consumption expenditures, however, for individuals must pay taxes, estimated at 23 billion. Of the remainder, estimates indicate that approximately 177 billion were spent and 14 billion saved in the year under consideration.

The manner in which personal income is distributed to (1) salaries, wages, and other labor income, (2) proprietor's and rental income, (3) dividends and interest, and (4) social security and GI payments is illustrated in Fig. 5.4, which presents a graphic portrayal of this allocation in

several recent years. Trends in this distribution will be given further attention in a subsequent discussion.[1]

5.22 Per capita and family income. Similarly significant as indicating trends in earnings are the regular releases of data on per capita and family income. These calculations are derived directly from personal disposable or consumer income. Per capita income is reported each month

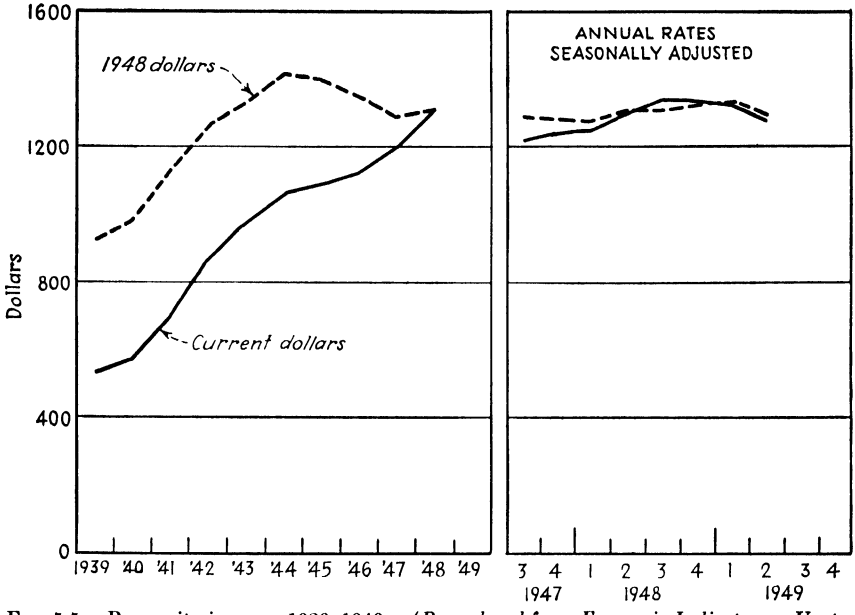

FIG. 5.5. Per capita income, 1939–1949. (*Reproduced from Economic Indicators. Up-to-date statistics are available each month from this source.*)

in *Economic Indicators.* It is described in current dollars and also as deflated by the consumers' price or cost-of-living index. The base used for deflation varies. Figure 5.5 shows changing per capita income over a ten-year period. These data are used to determine the level of Federal grants-in-aid to states for hospital construction and similar purposes.

In spite of the probably greater significance of family or household income, reports on this subject are available only on an annual basis.

[1] For further discussions of this distribution, see American Economic Association, *Readings in the Theory of Income Distribution,* Philadelphia, The Blakiston Company, 1946; M. A. Copeland, "The Social and Economic Determinants of the Distribution of Income in the United States," *American Economic Review,* Vol. 37, No. 1, March, 1947, pp. 56–75; Simon Kuznets, *National Income: A Summary of Findings,* New York, National Bureau of Economic Research, 1946; Joseph Mayer, *Post-war National Income: Its Probable Magnitude,* Washington, D.C., The Brookings Institution, 1944; Theodore Morgan, *Income and Employment,* New York, Prentice-Hall, Inc., 1947; C. S. Shoup, *Principles of National Income Analysis,* Boston, Houghton Mifflin Company, 1947.

Annual calculations are released by the Census Bureau, and estimates are made at irregular intervals by various private agencies (see also Chap. 7).

5.3 *Cost of Living.* Data on current changes in costs of living, as noted in an earlier section, are available from two principal sources, the Bureau of Labor Statistics and the National Industrial Conference Board. Both now describe the series they maintain as consumers' price indexes. Index numbers are available not only for the composite cost of living, but also for each major class of items. Additional indexes released by the Bureau of Labor Statistics describe related changes in

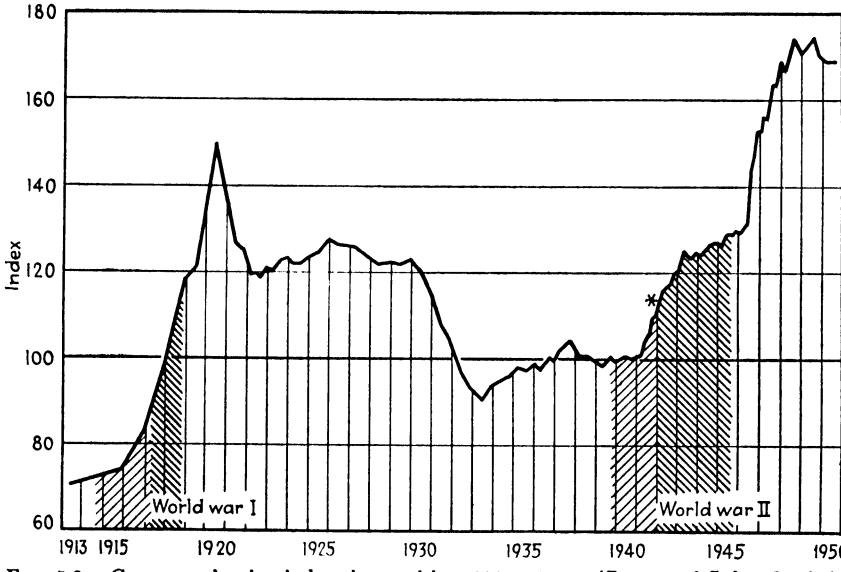

FIG. 5.6. Consumers' price index, large cities, 1913–1950. (*Bureau of Labor Statistics Chart Series*, 1948.)

wholesale prices and in "spot market" prices of foodstuffs. The *Monthly Labor Review*, the *Survey of Current Business*, and *Economic Indicators* all include regular monthly reports on nation-wide costs of living. National Industrial Conference Board indexes are released to the press and to members and include local indexes.

Certain limitations are inherent in all such cost-of-living or consumers' price indexes. They are strictly applicable only to the types of families whose budgets have been studied, for purchases and expenditures vary among income groups and social classes. Thus a normal wage earner's family presumably spends a larger portion of its budget for food than does a professional person's family. Moreover, they purchase different types of food. It is possible, therefore, that costs of living might not change to the same degree for one type of family as for another.

Similarly, an index is strictly applicable only to the localities in which prices are secured and for which budget studies have been made. Care must be taken, for example, in applying a cost-of-living index for a metropolitan area to surrounding small communities. Figure 5.6, which shows changes in the BLS nation-wide index since 1913, has been carefully labeled by the Bureau to indicate that it reflects only changing costs for "moderate income" families in "large" cities.

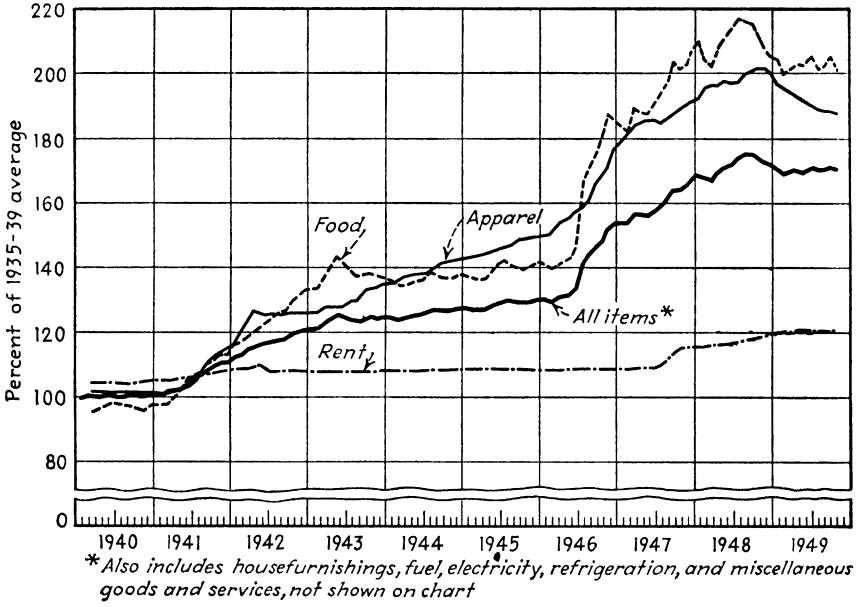

FIG. 5.7. Consumers' price and related indexes, 1940–1949. (1935–1939 = 100. *Bureau of Labor Statistics indexes as shown each month in Economic Indicators.*)

Budget studies must be repeated fairly frequently, for buying habits change. The "market basket" doesn't contain the same items at all times. There is some seasonal fluctuation, which is generally ignored in the indexes, and there are definite substitutions for items that appear to be unusually high priced.

Quality of purchases is difficult to judge, so that commodity prices may not tell the whole story of changing costs. During World War II, union attacks on existing indexes alleged that prices had risen more than appeared from the indexes because quality had been reduced in many items, so that they didn't last as long or wear as well as before. It is largely on this account that the title given these measures was changed from "cost-of-living" to "consumers' price" indexes.[1]

[1] For a further discussion of these points, see *National War Labor Board Wage Report*, Washington, Government Printing Office, 1945. See also "The Consumers' Price Index,"

Figure 5.7 illustrates the regular monthly release of the Bureau of Labor Statistics index in *Economic Indicators*. It may be noted that special attention is given to three components of the index, food, apparel, and rent.

5.4 *Purchasing Power.* The purchasing power of current dollars in terms of any base period is readily calculated if a suitably based index of

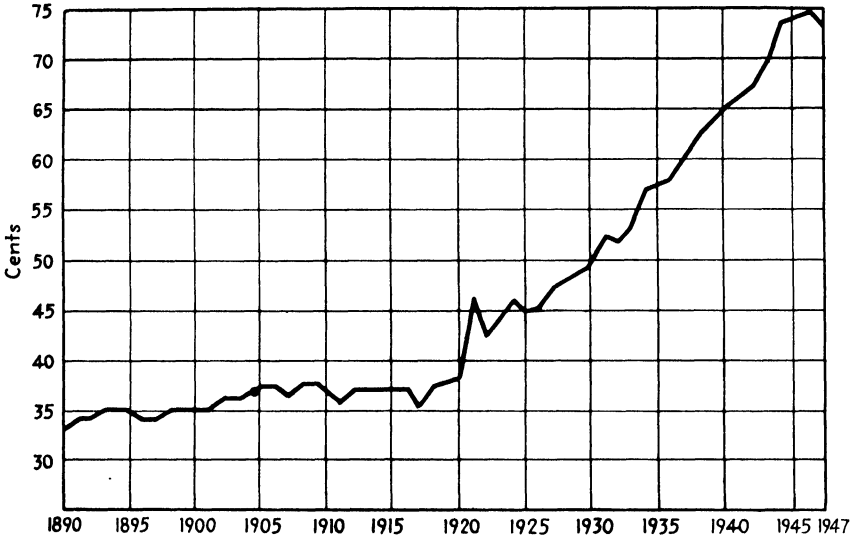

FIG. 5.8. Purchasing power of a working hour, 1890–1947. (*Reproduced from Labor's Monthly Survey, Vol. 9, No. 4, April, 1948, p. 1, which describes the source as Commerce Department 1940 wage figure carried forward and back: 1913 to 1947 by Federal Reserve Bank of New York index; 1890 to 1913 by Labor Department index. Adjusted for price changes by Labor Department Consumers' Price Index.*)

consumers' prices is available. It is necessary only to divide the dollar by the index. Thus, for example, when the national BLS index stood at 171.4 in December, 1948, the dollar was worth 100/171.4 or 58.3 cents, in terms of 1939 prices. The National Industrial Conference Board has calculated the changing purchasing power of the dollar from 1914 through 1947, using the NICB index of consumers' prices, based on 1939 as 100. The dollar varied, in its real value, from a low of about 62 cents in 1947—and a similar low of 67 cents in 1920—to highs of approximately $1.38 in 1915 and $1.18 in 1933.[1]

Report of the Joint Committee on the Economic Report, Washington, 1949. In November, 1949, the Bureau of Labor Statistics began a three-year study of consumers' buying habits, as a basis for revision of the Consumers' Price Index. The study will gather information from 20,000 families and will involve analysis of more than 600,000 price quotations.

[1] See *Consumers' Prices, 1914–1948,* New York, National Industrial Conference Board, 1948, pp. 6 and 49.

From many angles, a significant measure of wages is the purchasing power of a unit of work, taking into account both levels of wages and of consumers' prices. The American Federation of Labor has made such an estimate of the changing value of an average working hour, which is reproduced in Fig. 5.8.

5.5 *International Comparisons.* Most industrialized nations maintain public agencies charged with responsibility for continuing reports on wages and earnings. Data are released in a wide range of government publications. The most convenient source of such information is found in the publications of the International Labour Office. The statistical section and special articles regularly reported in the *International Labour Review* and the *Year Book of Labour Statistics* are most useful in this connection.

Reports on hourly rates and on daily, weekly, or monthly earnings are published on a quarterly basis in the *International Labour Review.* Data are described in the monetary units of the various nations and also in terms of index numbers based on 1937 = 100. Most of the series refer to wages and earnings in manufacturing industries, but they are frequently limited to a narrow range of manufacturing.

Many of the same series are included—with reports covering longer time periods—in the *Year Book,* which also describes wages by industries, wages in agriculture, wages for 30 occupations, and a total of wages and salaries comparable to the similar division of national income available for the United States, described in the preceding section of this chapter. Because of variations in the sources and methods of accounting, the reports are probably much more accurate as indicating changes from time to time than as absolute measures.

5.51 *Real wages.* Indexes of costs of living are available for most nations and are regularly reported in the *International Labour Review.* For many countries, both the cost of living and a separate measure of food prices are regularly described in the *Review's* statistical section. Money wages are adjusted for changing living costs, and an index of real wages is also published in the *Review.*[1]

International comparisons of real wages are, however, difficult if not impossible. For consumption habits vary widely, so that the indexes of real wages show only the variations from time to time within the nation for which they have been prepared. They cannot be used to compare either costs of living or real wages among nations.

Although most of the indexes of living costs include the same major categories—food, fuel and light, clothing, and rent—the weights given to

[1] For an excellent summary of post-World War II price changes throughout the world, see Irving B. Kravis and Ann S. Ritter, "World Prices, 1948 Compared with 1939," *Monthly Labor Review,* Vol. 67, No. 5, November, 1948, pp. 467–475.

these classes and the consumption habits reflected within each of them show wide variation among nations. Moreover, prices gathered may not refer to the same qualities of articles. As illustrating the range of changes in living costs in several nations, Table 5.3 has been prepared. It may be noted that the high level in China in 1945 was later shown to be but a step on the way to further inflation. The upward surge of costs in France and in India also deserves special mention.

As reported in the *Year Book*, the International Labour Office also maintains indexes of international comparisons of food costs. In compiling this index, the office has prepared "market baskets" of foods, based on studies of budgets in each country. Seventeen foods are included in

TABLE 5.3. INDEXES OF LIVING COSTS, SELECTED NATIONS, 1929–1945[1]
1937 = 100

	1929	1933	1945
Canada	120	93	118
United States	119	90	125
Argentina	108	89	132
Brazil	82	71	197
China (Shanghai)	82	78	24,978
India (Ahmedabad)	128	95	261
France (Paris)	90	84	393
Great Britain	106	91	132

[1] From *Year Book of Labour Statistics*, Montreal: International Labour Office, 1946, pp. 197*ff*.

TABLE 5.4. INTERNATIONAL COSTS OF FOOD, OCTOBER, 1945[1]
(Costs of U.S. basket in the U.S. = 100)

Nation	*Index*
Union of South Africa	79
Canada	77
Chile	120
Colombia	107
Mexico	79
Belgium	75
Bulgaria	279
Denmark	76
France	180
Great Britain	65
Ireland	93
Norway	94
Sweden	85
Switzerland	120
Czechoslovakia	47
Turkey	238
Australia	52
New Zealand	46

[1] From *Year Book of Labour Statistics*, Montreal, International Labour Office, 1946, p. 214.

Chapter 7

Wage Problems and Proposals for Solutions

Preceding chapters have described the wage system of modern economies as well as historic and current theories of wage determination. They have outlined the nature of wage levels, structures, and differentials. They have indicated the nature and limitations of various measures of wage income. Attention has been given to the principal factors that appear to regulate or determine wages in modern societies.

In this chapter, consideration turns to current wage problems and to proposed solutions for those problems. The chapter leans heavily on the two preceding chapters. The questions it seeks to answer are to be considered in terms of these earlier discussions. For example, a primary question might be phrased somewhat as follows: do current wage levels and structures provide adequate income for wage earners? Another question asks, are the living scales of wage earners automatically advanced to highest possible levels? Still another might be phrased as follows: are long-term trends in wages leading toward socially acceptable objectives? Finally, a question may be raised as to the likely effectiveness of various proposals for wage reforms.

1.0 Adequacy of Wages

Perhaps the most obvious of modern economic goals is that which seeks to maintain "adequate" living scales for all citizens. The term "adequate" is subject to a wide range of definitions, of course. To some it means little more than subsistence, while to others it means a scale of living considerably above the level of necessities. If there can be said to be any agreement, it would probably center about a scale of living that provides a comfortable home, well heated and lighted; good, wholesome food, in a well-balanced diet; educational opportunities for children; medical care; and opportunity for recreation and relaxation. Such an attempt at description involves conditions that cannot be defined with entire objectivity. Since no objective standards are available, assumptions as to what is sought must be made in any attempt to appraise current wages.

1.1 *Living Wages.* How may the cost of such scales of living be assessed? And how shall they be compared with wages or earnings? Will the cost of such a scale define a "living wage"?

The term "living wage" is not as useful as might be assumed. For wage earners, for the most part, do not live alone. The adequacy of their earnings must be appraised in terms of the needs of their home, the household in which they live. On the other hand, a large portion of all wage earners is made up of "secondary" rather than "primary"

TABLE 7.1. WAGE EARNER BUDGET COSTS—PRINCIPAL CITIES OF THE UNITED STATES, 1946–1947[1]

	June, 1947		March, 1946	
	Goods and services	Total budget	Goods and services	Total budget
Washington, D.C	$3,111	$3,458	$2,718	$2,985
Seattle, Wash	3,054	3,388	2,660	2,913
New York, N.Y	3,019	3,347	2,583	2,820
Milwaukee, Wis	2,988	3,317	2,575	2,811
Boston, Mass	2,981	3,310	2,598	2,842
Detroit, Mich	2,974	3,293	2,578	2,813
Pittsburgh, Pa	2,973	3,291	2,535	2,761
Minneapolis, Minn	2,965	3,282	2,550	2,779
Chicago, Ill	2,965	3,282	2,561	2,793
San Francisco, Calif	2,964	3,317	2,582	2,853
Baltimore, Md	2,944	3,260	2,565	2,797
St. Louis, Mo	2,928	3,247	2,580	2,824
Mobile, Ala	2,925	3,276	2,557	2,826
Norfolk, Va	2,919	3,241	2,563	2,804
Memphis, Tenn	2,912	3,220	2,524	2,750
Los Angeles, Calif	2,910	3,251	2,512	2,766
Birmingham, Ala	2,904	3,251	2,521	2,781
Richmond, Va	2,904	3,223	2,542	2,776
Cleveland, Ohio	2,897	3,200	2,495	2,712
Portland, Me	2,894	3,200	2,511	2,735
Denver, Colo	2,870	3,168	2,494	2,711
Philadelphia, Pa	2,867	3,203	2,442	2,681
Scranton, Pa	2,866	3,163	2,422	2,623
Savannah, Ga	2,855	3,150	2,502	2,721
Portland, Ore	2,854	3,161	2,521	2,748
Atlanta, Ga	2,853	3,150	2,475	2,691
Buffalo, N.Y	2,844	3,136	2,415	2,615
Jacksonville, Fla	2,846	3,135	2,466	2,677
Manchester, N.H	2,837	3,132	2,481	2,700
Cincinnati, Ohio	2,830	3,119	2,467	2,678
Indianapolis, Ind	2,790	3,098	2,440	2,667
Houston, Tex	2,746	3,020	2,345	2,532
Kansas City, Mo	2,739	3,010	2,405	2,603
New Orleans, La	2,734	3,004	2,381	2,573

[1] Bureau of Labor Statistics studies, reported in *Labor Information Bulletin*, Vol. 15, No. 1, January, 1948, p.13.

members of the labor force. There are only approximately half as many families as there are members of the labor force. Hence, some wage earners who are heads of families and responsible for their entire support have requirements greatly in excess of others, who may be contributing members of households or may live apart from any such relationships.

Under these circumstances, the conception of a living wage becomes somewhat unrealistic. No measure of individual earnings can answer the question posed as to the adequacy of current wages. About all such individual earnings can indicate is the trend—the significance of time-to-time changes.

1.2 *Family Budget Costs.* Because of these limitations on the usefulness of individual earnings, attention is usually directed to the household as a unit. By comparing costs of living for wage earners' families with incomes for the same units, the adequacy of earnings can be assessed.

To this end, the Federal Bureau of Labor Statistics has studied, at irregular intervals, budget costs for families of wage earners. These costs vary from time to time and from one section of the country to another. Studies have been limited to the larger cities of the nation.

The resulting figures from two of these studies are summarized in Table 7.1. Cities have been listed, in the table, in the order of their rank in June, 1947. A distinction is made between costs of goods and services and the budget total, which includes some savings. Calculations are based on a family of four, including the male head of the family (38 years of age), wife (36 years), son (13 years), and daughter (8 years). The Bureau suggests that total costs for a family of 2 persons are approximately 65 per cent of these totals, while a family of 3 would require 84 per cent, and one of 5 persons would require 114 per cent.

1.3 *Family Income.* These estimates of the costs of wage earners' budgets may be compared with calculations of family incomes to provide one measure of adequacy. The Department of Commerce provides annual estimates of family incomes, which are based in part on analysis of the national income and in part on annual surveys of consumer finances conducted for the Board of Governors of the Federal Reserve System.

Figure 7.1 provides a comparison of family incomes over a decade. Families are grouped, according to income, in five equal classes. Money income has been reduced to 1948 dollars, to facilitate comparison. It may be noted that the lowest two-fifths, in the most recent year shown, received incomes—before taxes—amounting to less than $2,000. The third fifth reached the $3,000 level.

In 1947, a similar study indicated that average income per family had risen to $3,000 in that year. However, of the total of 37 million families reported, 4 million received less than $1,000, an additional 6 million under $2,000, and 8 million more under $3,000. An additional 8 million

were in the $3,000 to $4,000 class, while 4 million received from $4,000 to $5,000; 3 million from $5,000 to $6,000; 3 million from $6,000 to $10,000; and 1 million received more than $10,000.[1]

Definitions of the term "family" in the cost of budget studies and in these analyses of family income are not the same. Family income studies include single-member households, so that many of the lower income "families" are presumably single individuals, living alone. But even if a considerable allowance is made for this difference, it is apparent that

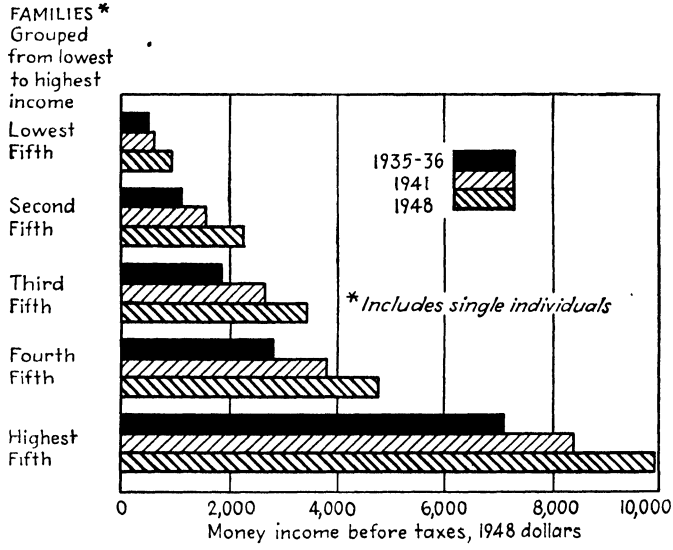

FIG. 7.1. Average family income, 1935–1936, 1941, and 1948. (*Economic Report of the President, reproduced in Business Week, No. 793, Apr. 24, 1948, p. 24.*)

several million wage earners' families received incomes far below the budget costs described by BLS studies.

This conclusion is substantiated by studies of savings in families included in the 1948 Survey of Consumer Finances. Analysis discloses that more than one-fourth of all consumer units with incomes of $3,000 or more spent more than their incomes. Units with incomes of less than $2,000 were "dissavers," as a whole.[2]

One point becomes very clear from any such analysis. That is that there is no such thing as an "American" scale of living. Actually, there

[1] *Midyear Economic Report of the President,* Washington, Government Printing Office, July, 1948, p. 69.

[2] See "1948 Survey of Consumer Finances," *Monthly Labor Review,* Vol. 67, No. 5, November, 1948, pp. 515–516. See also Helen M. Humes, "Family Income and Expenditures in 1947," *ibid.,* Vol. 64, No. 4, April, 1949, pp. 389–397.

is a very wide range of scales, and only a portion of them represent levels of comfort and security that approximate the American goal or ideal.

2.0 Long-term Trends in Wages

Although evidence with respect to family needs and family incomes appears to indicate that social goals are far from attainment in this direction, can signs of progress be noted? Have wages been gaining on prices, so far as wage earners are concerned? Is the situation getting better, moving toward these established goals?

To secure answers to these questions, attention turns to longer term comparisons. Comparable studies of family income are not available over extensive time periods. But significant evidence may be found in the data of money and real earnings and in trends in income distribution among major classes of income receivers.

2.1 *Long-term Money Wages.* Several studies have sought to trace the long-term course of money wages in the United States. Hansen, Douglas, and the Bureau of Labor Statistics have provided estimates, which have been combined in Fig. 7.2.[1] The figure charts changes in weekly earnings since 1820.

The figure must be regarded as providing only a rough estimate, for the data available for study are limited and the process of combining data from several sources may introduce significant errors. For the most part, historic data are limited to a few manufacturing industries. Such a graph, like the data on which it is based, is chiefly significant in indicating major changes and the direction of change. The ratio chart also provides a measure of the rate of change.

As may be noted, there appears to have been a fairly steady increase in money wages during the first forty years included in the period covered by these data. About 1863, an abrupt rise began. The depression following 1873 was characterized by a sharp recession in money earnings. After 1880, the general trend of the first forty years was reestablished. That trend continued until the beginning of World War I, in 1914. The rapid rise during war years was followed by a decade of high-level wages, which was terminated by the recession of 1929. After a short period in which earnings fell abruptly, they rose again, and their rise was accentuated by World War II.

War periods stand out rather sharply. On the other hand, the long-term upward trend, apart from war years, is pronounced. For the period as a whole, the rate of increase in the trend of money wages appears to average more than 2½ per cent per year. Rapid increases that have accompanied successive "rounds" of increases since World War II are apparent in the figure.

[1] See Fig. 7.2 for full reference to these sources.

2.2 *Changes in Real Wages.* In terms of social goals, increases in money wages are considerably less important than advances in real wages. But the measurement of purchasing power involves even greater difficulties and hazards of error than the compilation of money-wage data. As has been explained, cost-of-living indexes are complicated and of limited

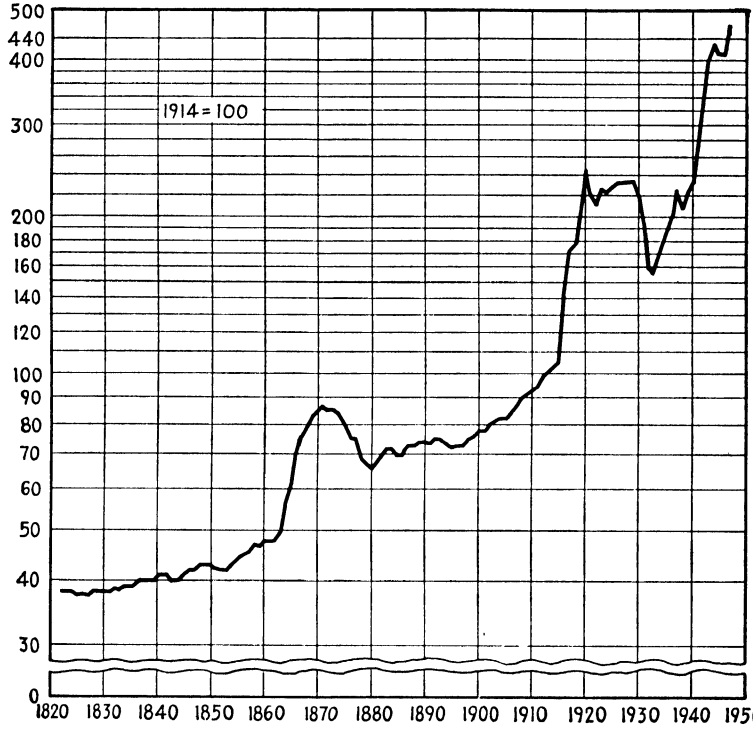

FIG. 7.2. Rates of change in money wages—1820–1948. (1914 = 100. *Semilogarithmic chart prepared from data from the following sources: A. H. Hansen, "Some Factors Affecting the Trend of Real Wages," American Economic Review, March, 1925, pp. 27-48; Wladimir Woytinsky, "Wages," Encyclopedia of the Social Sciences, Vol. 15, pp. 291–320; Handbook of Labor Statistics* (1947 Edition), *p. 54; Paul H. Douglas, Real Wages in the United States, Boston, Houghton Mifflin Company,* 1930, *pp.* 392–393.)

application. The earliest national indexes were first calculated at the time of World War I. Their projection backward into the nineteenth century must be regarded, therefore, as providing only crude estimates. Indeed, the changing consumption patterns of wage earners over any long period forces reliance on an extremely narrow range of prices which can, at best, only indicate the general nature of time-to-time changes.

Cost-of-living indexes have, however, been extended back to cover the period for which estimates of money wages are available.[1] From the

[1] On the basis of such calculations, an index of real wages in the United States is pub-

combination of estimated money wages and costs of living, the approximate course of real wages can be charted as shown in Fig. 7.3.

Here again a word of caution is in order. For the errors in long-term measures of money-wage data may have been magnified in calculations of real wages because of unavoidable uncertainties in cost-of-living estimates.

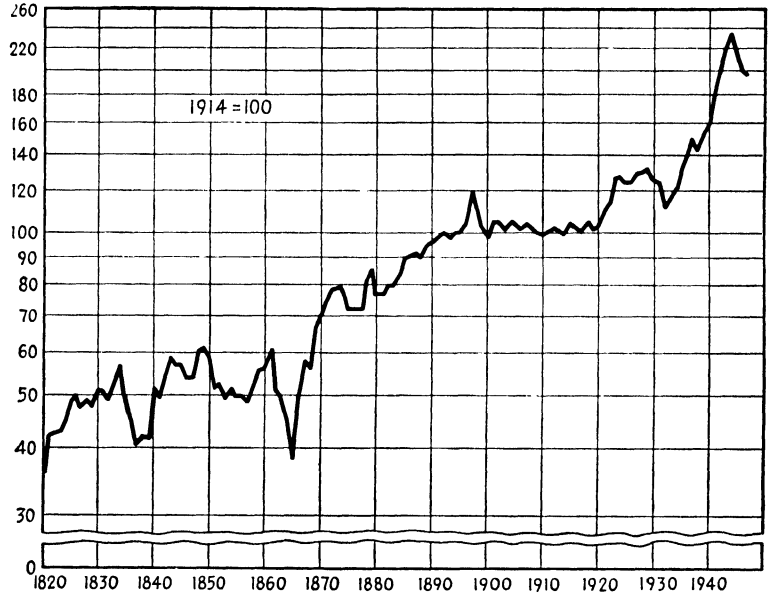

FIG. 7.3. Rates of change in real wages, 1820–1948. (1914 = 100. *Semilogarithmic or ratio chart prepared from data from the following sources: Paul H. Douglas, Real Wages in the United States, Boston, Houghton Mifflin Company,* 1930, *pp.* 392–393; *A. H. Hansen, "Some Factors Affecting the Trend of Real Wages," American Economic Review, March,* 1925, *pp.* 27–48; *Wladimir Woytinsky, "Wages," Encyclopedia of the Social Sciences, Vol.* 15, *pp.* 291–320; *Handbook of Labor Statistics* (1947 *Edition*), *pp.* 54, 107; *later issues of the Monthly Labor Review.*)

Some tentative conclusions may, however, be drawn from the data charted in Fig. 7.3. It may be noted, for example, that frequent changes of direction characterize the long-term movement. While the whole series indicates a clear-cut upward trend, there have been sharp recessions in real wages. Apparently the "floors" under such reductions have been more effective since World War I. No recent fall in real wages compares, for example, with that which characterized the Civil War period. On the ratio scale—which emphasizes rate of change—reductions during the 1930 depression appear relatively small. The decline

lished by the International Labour Office. No such index is regularly released by any agency in this country.

in real wages that immediately followed World War II is notable in this connection.

In the present century, real wages increased until 1905, receded for a four-year period, and showed only a small increase until the United States entered World War I. Douglas' data differ slightly in indicating that the period up to World War I was one of slow increase in real wages, in which they advanced a total of 5 per cent. Following World War I, all studies agree, wages advanced rapidly, and by 1926, real wages were at least 35 per cent higher than they had been at the beginning of the century. They continued to rise until the recession in 1929. After a sharp decline in the early 1930's, they began an almost uninterrupted advance that reached a peak toward the close of World War II. The series as a whole appears to indicate that the average rate of increase from one year to the next is about 1.5 to 2.0 per cent.

Rising money wages—and real wages—do not reflect merely the higher rates of pay on identical jobs. There is also a continued movement from lower to higher paid positions. Douglas has estimated that, of the 35 per cent general increase in real wages between the beginning of the century and 1926, 11 per cent is attributable to this shifting rather than to actual increases in real wages in a single group of occupations. Also, the indexes take no accurate account of what is generally described as "free income." The latter consists of the sum of goods and services made available to all citizens by governments as a result of taxation. It includes such facilities as free schools, libraries, recreational programs, highways, sanitary sewer systems, and similar public activities and provisions. Douglas estimates that increases in free income added an additional 8 per cent to the rise in real wages in the first quarter of the present century.[1]

There is some evidence that the timing of price and wage changes may have undergone a significant reversal in recent years. In earlier years, wages generally appeared less flexible than consumers' prices. Wage changes ordinarily lagged from six months to one year behind prices in both phases of the business cycle. This tendency to lag was the more notable in the case of skilled labor; unskilled labor's wages more nearly approximated the movements of commodity prices. In more recent years, particularly in early months of periods characterized by rising prices, wage rates and earnings have appeared to anticipate general price rises. Whether money wages will also precede prices on downward movements is not so clear, although there is some evidence that money wages as measured by weekly earnings have done so.

[1] See also "Trends in Real Wages, 1913–1929," *Monthly Labor Review*, Vol. 32, No. 2, February, 1931, p. 145. For details of recent changes, see "General Wage Increases in Manufacturing Industries," NICB *Studies in Labor Statistics*, No. 1, 1949.

2.21 *Trends in international comparisons.* The United States, since its inception, seems to have held and maintained a position with respect to real wages well above that of most other nations. Even in colonial times, this difference was marked. A study of colonial wages and earnings by the Bureau of Labor Statistics[1] indicates that real earnings in the colonies were appreciably higher than those in England and western European countries. One Gabriel Thomas is quoted to the effect that "poor people of all kinds can here get three times the wages for their labour they can in England or Wales." Another writer reported that "all women's work is very dear here . . . for even the meanest single women marry well and, being above want, are above work."[2]

The United States has apparently maintained this advantage up to the present. It may be noted in this connection that the population of the United States appears to have more purchasing power than the combined populations of all European nations or of all Asiatic countries, although the population of Europe is approximately four times as great as ours and that of Asiatic countries is at least seven times as great. The people of the United States represent about 7 per cent of the world's population and control about 6 per cent of the earth's land surface. But they consume, in an average year, some three-fourths of the silk, four-fifths of the automobiles, one-half of the coffee, three-fifths of the rubber, and nine-tenths of the oil used throughout the world.[3]

Such comparisons have been frequently publicized in recent years as indicating the superiority of the American system of "free enterprise." Thus, for example, the January, 1948, issue of *Labor's Monthly Survey*, published by the American Federation of Labor, makes such comparisons of the United States with Russia. Graphic illustrations indicate that a man's woolen suit costs 38½ hours of work in the United States, compared with 583⅓ in Russia, a pair of cotton socks one-fourth hour as compared with 7 hours, work shoes 5½ hours compared with 108⅓ hours, a woman's cotton dress 2½ hours here and 32 hours in Russia, women's shoes 7 hours here and 108⅓ hours in Russia.

2.3 *Trends in Income Distribution.* Reference was made, in Chap. 5, to employees' share in the national income as one measure of wage earners' income. Figure 5.4 (page 136) pictures the division of national income among major classes of income receivers for a short period. What have been the longer term trends in this distribution? How has the share allocated to the compensation of employees changed over the years?

[1] *Monthly Labor Review*, Vol. 28, No. 1, January, 1929, pp. 8–13.

[2] See "History of Wages in the United States from Colonial Times to 1928," U.S. Bureau of Labor Statistics, *Bulletin* 499, 1930.

[3] See Vervon Orval Watts, *Why Are We So Prosperous?* Minneapolis, Burgess Publishing Company, 1938, pp. 27*ff*.

Available calculations of national income and its distribution do not extend back as do the series on money wages, costs of living, and real wages. They have been released only for the years beginning with 1929. Table 7.2 summarizes these available estimates of national income, the share allocated to compensation of employees, and the proportion of the total represented by that share for each year in the twenty-year period from 1929 to 1949.

TABLE 7.2. EMPLOYEE SHARES OF NATIONAL INCOME, 1929–1949[1]

Year	Total national income, billions	Compensation of employees, billions	Percentage distribution to employees
1929	87 4	50.8	58.1
1930	75 0	46.5	62.0
1931	58.9	39 4	67 0
1932	41 7	30 8	73.9
1933	39 6	29 3	74 1
1934	48 6	34 1	70 1
1935	56 8	37 1	65 3
1936	64 7	42 7	65 9
1937	73 6	47 7	64 8
1938	67 4	44 7	66.4
1939	72 5	47 8	65 9
1940	81 3	51.8	63 7
1941	103 8	64 3	61.9
1942	136 5	84 7	62.0
1943	168 3	109 1	64.8
1944	182 4	121 1	66 5
1945	181 7	122 9	67.6
1946	179 3	117 3	65.4
1947	202 5	127 5	63.0
1948	224.0	137 8	61.5
1949			

[1] Data refer to *total* national income and must be distinguished from *private* national income. Department of Commerce data in *Report of the Council of Economic Advisers*, January, 1948, and *Economic Indicators*, February, 1949, and subsequent issues. Table may be brought up to date by reference to *Economic Indicators*, where data are reported on a quarterly basis. See also *Survey of Current Business*, February issues.

Earlier estimates of amounts allocated to compensation of employees as a portion of the total national income are available, but they involve calculations of "total national income" and classes of income receivers sufficiently different from those employed by the Department of Commerce in current estimates so that these earlier series are not strictly comparable with current releases. Analyses of income distribution

undertaken by the National Bureau of Economic Research[1] have been adjusted, however, to provide rough estimates of the share paid to employees on a basis comparable with current data. They have been linked with Department of Commerce estimates to provide the thirty-year series shown in Fig. 7.4.

Some tentative conclusions may be justified from the data presented in Table 7.2 and Fig. 7.4. First, however, attention should be called to the fact that data show salaries as well as wage earners' income. Perhaps the most obvious characteristic of the data is the comparatively small

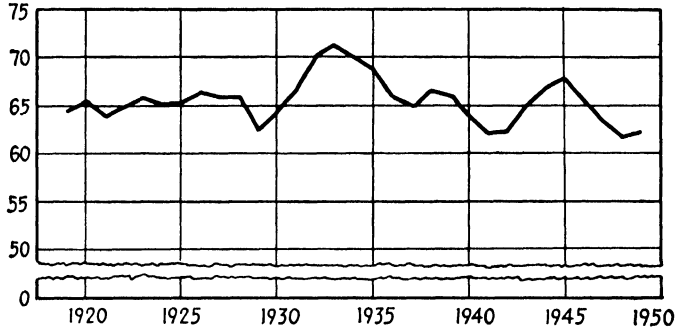

FIG. 7.4. Employee shares in the total national income, 1919–1949. (*Percentages of total national income allocated to compensation of employees. Estimates by the National Bureau of Economic Research linked to Department of Commerce data. National Bureau of Economic Research Estimates from National Income, 1919–1935, New York, NBER Bulletin 66, Sept. 27, 1937.*)

range of fluctuations in the share allocated to employees. The maximum is just over 70 per cent, the minimum (Department of Commerce estimate) is more than 58 per cent. The scale on which Fig. 7.4 is drawn intentionally exaggerates these differences by omitting the lower portion of the total percentage range. The average throughout the period is approximately 65 per cent. There is no apparent upward or downward trend.

Note may be made of the rapid decline in employees' share in 1929, just before the serious depression of the 1930's. This share increased during the depression (in part because of public assistance and relief). The share tapered off during relatively prosperous years of the late 1930's, rose during World War II, and fell in postwar years. The postwar situation is apparently a reflection of the rapid rise in prices and in

[1] See *Bulletin* 66, "National Income, 1919–1935," New York, National Bureau of Economic Research, Sept. 27, 1937. See also, for discussions of national income distribution, Robert F. Martin, *National Income and Its Elements*, New York, National Industrial Conference Board, 1936; Maurice Leven, *The Income Structure of the United States*, Washington, The Brookings Institution, 1938; annual reports on national income distribution in February issues of the *Survey of Current Business*.

entrepreneurial income. The latter unquestionably reflects inventory valuations in a period of rapidly rising prices.

2.4 *Gross National Product Distribution.* Distribution of the gross national product among principal recipients—government, business, and consumers—may also suggest whether progress is being made toward higher living scales. Here, again, the index is only a crude approximation, for product allocated to government, for example, may aid in advancing the scales of living of government employees. The latter now form an appreciable segment of all income receivers.

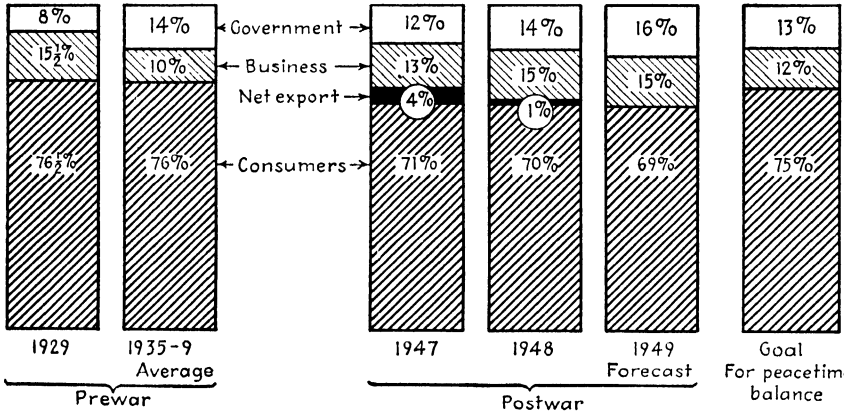

FIG. 7.5. Gross national product distribution, 1929–1949. (*Chart reproduced from Labor's Monthly Survey, Vol.*, 10 *No.* 1, *January*, 1949, *p.* 6. *Data from Department of Commerce.*)

Figure 7.5 presents one view of the distribution of gross national product. The figure, published in the AFL *Labor's Monthly Survey*,[1] seeks to emphasize the decline in consumers' shares in post-World War II years and to suggest a desirable or optimal distribution. The influence of exports made to advance European recovery is noted. Particular attention is called to the vast increase in the share of gross national product absorbed by government in the twenty-year period. Similarly, business is regarded by editors of this AFL publication as having received unduly high proportions in the postwar years of 1947, 1948, and 1949. Most important, the share of gross national product available to consumers has remained at low levels throughout postwar years. In this respect, the figure supports the similar inference to be drawn from comparisons of national income distribution.

2.5 *Tendencies toward Concentration.* All modern societies have shown concern over the possibility that objectives of improved scales of living and of political democracy may be thwarted by a tendency toward the concentration of economic power in the hands of a few. Frequent refer-

[1] Vol. 10, No. 1, January, 1949, p. 6.

ences to a few dominant or controlling families, alleged to have acquired ownership of large segments of wealth and business, suggest this hazard. The theme that the rich get richer and the poor poorer has many advocates.

The basic question thus raised is whether there are forces in modern economies that tend to concentrate wealth and income, to reduce their dispersion among rank-and-file citizens and place them at the disposal of a dwindling minority. Actually, few critics of the present system argue that the poor are becoming poorer; it is evident that real goods and services have become increasingly available to rank and file with passing years. But have advances been distributed inequitably, so that improvements in wage earners' living scales have been comparatively smaller than those of a privileged minority? Is economic power in terms of wealth tending toward concentration? Is the income of rank-and-file citizens becoming relatively smaller? These are questions of major import in all modern societies.

Pressures toward concentration of wealth and income are inherent in the nature of a free economy based on the institution of private property. The wage earner, with little capital, must depend largely upon his own earnings for his livelihood. Generally, wages are adequate only to meet demands for current living expenses. They leave little margin for investment and accumulation. The position of higher income receivers is different, in that their incomes permit saving. Ordinarily, in other words, those in upper income groups cannot or do not consume all the goods and services that their incomes could purchase. Accordingly, investment becomes almost compulsory for them, and differences in wealth owned and in income received by low-income groups and high-income groups tend to become continually greater. It may be noted, however, that there is a much smaller range of variation in incomes than in wealth.

Limitations on savings in lower income groups have been frequently noted in studies of income distribution.[1] Moulton, in his study of *Income and Economic Progress*,[2] concluded that little in the way of saving can be expected in the lower 60 per cent of the families. Data based upon a broader sample of some 300,000 families selected to represent a fair cross section of the nation's population lead to a similar conclusion.[3]

[1] See National Bureau of Economic Research, *Income in the United States*, 1909–1919, New York, Harcourt, Brace and Company, Inc., 1921–1922, Vol. 1; Federal Trade Commission report, "National Wealth and Income," *Senate Document* 126; William L. Crum, "The Distribution of Wealth," Cambridge, Harvard University Graduate School of Business Administration, *Business Research Studies*, XIII, Vol. 28, No. 7, 1935.

[2] Harold G. Moulton, Washington, The Brookings Institution, 1935.

[3] "Consumer Incomes in the United States," Washington, Government Printing Office, 1938. See also M. Leven *et al.*, *America's Capacity to Consume*, Washington, The Brookings Institution, 1934.

Several surveys of consumer finances have substantiated the conclusion that few wage-earner families can save.[1] A majority of such units saves only a very small percentage of income—1 to 2 per cent—in years when wage and price relationships are favorable. When costs of living rise or earnings fall, such units become dissavers, dependent upon such savings as are available, or credit extended to them, or public relief, to supplement wage income.

This inherent tendency toward concentration of wealth and resulting redistribution in favor of propertied groups is, of course, countered by a number of income-spreading tendencies in modern societies. Several of these "reverse pressures" may be noted.

The conception of ownership as a trust has had some effect in this direction, as is evidenced by the activities of numerous foundations and the names prominent on many semipublic and public buildings. Those who have acquired great wealth have, in many cases, recognized an obligation to expend it or the income from it for public rather than private advantage. They have been urged to see that there are "social investments" in most fortunes, that the latter have grown because of factors over which owners had little control. They have accumulated out of all relationship to a reasonable compensation for shrewdness and foresight, because of population growth, public development of natural resources, and other societal action. Hence, their ownership involves a large element of public responsibility. Many of the best-known benefactors of communities and colleges and universities have maintained such an attitude toward their wealth.

More important as constant factors tending toward the dispersion of wealth and income have been the taxation programs of modern societies. Students of taxation have generally regarded ability of the taxpayer to pay as the major consideration in determining the desirability of various types of taxes. As a result, larger shares of taxes have been borne by those who have obvious wealth and income. Income taxes, particularly as they involve "progressive" rates, have emphasized this effect. Inheritance taxes and excess-profits taxes as well as those on corporate surpluses exert a powerful leveling influence. "Sales" taxes, on the other hand, are "regressive" in their effects.

What has been the result of the struggle between these two sets of forces? The importance of the basic tendency toward concentration may be inferred from the fact that the distribution of wealth in older states, including Germany, France, and the United Kingdom, shows considerably greater concentration than that of this country. Professor King, in early studies of concentration undertaken before World War I, found

[1] See, for example, "1948 Survey of Consumer Finances," *Monthly Labor Review*, Vol. 67, No. 5, November, 1948, pp. 515–516.

that the richest 2 per cent owned 71.7 per cent of the wealth in the United Kingdom, 60.7 per cent in France, 59 per cent in Germany, and 40 per cent in the United States. The middle classes—33 per cent of the people—owned 36.1 per cent of the wealth in Germany, 35 per cent in France, 26.6 per cent in the United Kingdom, and 45 per cent in this country. The poor—65 per cent of the people—owned 4.9 per cent in Germany, 4.3 per cent in France, 1.7 per cent in the United Kingdom, and 15 per cent in the United States.[1] On the other hand, the studies of A. L. Bowley suggest that the tendency toward concentration in Britain has been effectively restricted since 1880. He found that there was no significant variation in income distribution in England in the period from 1880 to 1924. Each year some 62 per cent of the national income went to labor.[2]

Since there are no regular censuses or surveys of wealth in the United States, trends cannot be appraised by comparisons of actual wealth similar to those of money wages or real wages. However, shares of national income accruing to wage earners provide an indirect index of concentration. On the basis of the evidence they provide, it appears that these opposing forces have been held in fairly even balance.[3]

3.0 Significant Wage Relationships

Problems of income distribution hold major significance because they affect goal attainment, particularly with respect to goals that propose higher living scales and maintenance of a democratic society. Living scales may be advanced, at least temporarily, by a redistribution of income that directs larger shares into consumption and limits income available for improving productive facilities. Wage earners, in other words, may gain at the expense of profits and other forms of property income (since the latter provide a large share of funds available for investment). Scales of living may be advanced also by expanding the total income to be distributed, *i.e.*, by increasing productivity and the development and use of natural resources.

In this section, attention turns to a consideration of profits and of productivity. Question is raised first as to the proper level of profits

[1] W. I. King, *Wealth and Income of the People of the United States*, New York, The Macmillan Company, 1915, pp. 79–96.

[2] A. L. Bowley, *The Change in the Distribution of the National Income, 1880–1913*, New York, Oxford University Press, 1920, and *Wages and Income in the United Kingdom since 1860*, New York, The Macmillan Company, 1938; A. L. Bowley and Josiah Stamp, *The National Income, 1924*, New York; Oxford University Press, 1927. See also *Recent Economic Changes in the United States*, New York, McGraw-Hill Book Company, Inc., 1929, pp. 767*ff*.

[3] See, however, *Big Business, Its Growth and Its Place* (New York, The Twentieth Century Fund, Inc., 1937) for a discussion of concentration in corporate wealth.

and evidence as to what has happened to levels of profits. That discussion leads into consideration of productivity and the factors that influence it.

3.1 *Wages and Profits.* Most modern societies have been concerned about the proper distribution of national income to wages and profits. They have noted what all analyses of national income distribution clearly show—that proportions of national income accruing to wage earners are generally highest in years when shares allocated to profits are smallest. Thus, for example, in studies of *private* national income (income accruing to government being excluded) the depression years of 1932 and 1933 were years of negative corporate profits. In 1932, "corporate profits and inventory valuation adjustments" were negative in an amount equal to 5.4 per cent of the *private* national income. In 1933, this negative percentage was 5.7. On the other hand, the share listed as "compensation of employees" was 70.8 per cent in 1932 and 70.6 per cent in 1933. The highest percentage in any other year for which figures have been calculated was 66.2 in 1934. For the years from 1929 to 1947, the average is approximately 60 per cent. (This figure should not be confused with the 65 per cent average mentioned in connection with the earlier approach and analysis of the *total* national income.)[1]

In contrast with these depression years, 1942 and 1943 were years of high allocations to corporate profits and inventory adjustment. Percentages of *private* national income for this category were 16.3 in 1942 and 16.6 in 1943. "Compensation of employees" in these years amounted to 57.3 per cent and 58.4 per cent of private national income.

A similar relationship may be noted when shares of total national income are compared, although this is a somewhat cruder measure, because it includes public income much of which is arbitrarily allocated to compensation of employees. From Table 7.3, it may be noted that 1929 was the year of highest corporate profits after taxes. The years 1941 and 1942 were highest in terms of corporate profits before taxes.

Such comparisons are not cited to prove any basic relationship. Rather they are presented to explain the pressures in all modern societies to raise wages by limiting profits or redistributing them through taxation.

Actually, of course, no simple relationship between profits and wages prevails. Rather, the relationship is tenuous and difficult to appraise. For shares allocated to profits unquestionably find their way in large measure and in due time into wages. They form a major portion of the savings that are used to purchase additional capital equipment. In considerable measure, this result is accomplished without transferring them

[1] For details of these calculations with respect to *private* national income, see *Survey of Current Business*, Vol. 28, No. 2, February, 1948, p. 7.

to dividend receivers. They are held as undistributed profits, in part for the specific purpose of providing funds for such investment. In part, of course, they are retained to provide dividends and working capital in years like 1931, 1932, and 1933, when gross corporate profits were negative. Table 7.3 includes data on undistributed profits and dividends to make this relationship more apparent.

TABLE 7.3. NATIONAL INCOME, PROFITS, AND DIVIDENDS, 1929–1948[1]

Year	National income, billions	Corporate profits before taxes		Corporate profits after taxes		Undistributed profits		Dividends	
		Billions	Per cent of national income	Billions	Per cent of national income	Billions	Per cent of national income	Billions	Per cent of national income
1929	87 4	9 8	11 2	8 4	9 6	2 5	2.9	5 8	6 6
1930	75 0	3 3	4 4	2 5	3 3	3 0	..	5 5	7 3
1931	58 9	−0 8		−1 3		−5 4	...	4 1	7 0
1932	41 7	−3 0	.	−3 4		−6 0	. .	2 6	6.2
1933	39 6	0 2	0 4	−0 4		−2 4	...	2 1	5 3
1934	48 6	1 7	3 5	1 0	2 1	−1 6	...	2 6	5 4
1935	56 8	3 2	5 7	2 6	4 6	−0 6	...	2 9	5 1
1936	64 7	5 7	8 8	4 3	6 6	−0 3	. .	4 6	7 1
1937	73 6	6 2	8 4	4 7	6 4	0 0	.	4 7	6.4
1938	67 4	3 3	4 9	2 3	3 4	−0 9	.	3 2	4.8
1939	72 5	6 5	8 9	5 0	6 9	1 2	1 7	3 8	5 2
1940	81 3	9 3	11 4	6 4	7 9	2 4	2 9	4 0	4.9
1941	103 8	17 2	16 6	9 4	9 1	4 5	3 3	4 5	4.3
1942	136 5	21 1	15 5	9 4	6 9	5 1	3 7	4 3	3 1
1943	168 3	24 5	14 6	10 4	6 2	5 9	3 5	4 5	2 7
1944	182 3	24 3	13 4	10 8	5 9	5 2	2 8	4 7	2.6
1945	182 8	20 1	11.1	8 7	4 8	4 2	2 3	4 8	2 7
1946	179 3	21 8	12.2	12 8	7.2	6 9	3 9	5 6	3 1
1947	202 5	29 8		18 1					
1948	224 0	32 2		19 7					

[1] Adapted from Commerce Department data. See *Survey of Current Business*, National Income Supplement, July, 1947, and subsequent issues, also *Handbook of Labor Statistics* 1947 ed., p. 217; also *Economic Almanac*, 1948 (N.I.C.B.) p. 89. This series is reported regularly in the *Handbook of Basic Economic Statistics*.

Further, the inclination of business owners and managers to reinvest profits—and that of dividend receivers to invest their income from this source—is presumably affected by past profits and future prospects of profits. Hence, too great a distribution of income to wage earners may discourage investment and restrict both future wages—to be earned in the creation of capital goods—and increased productivity to be achieved through employment of such improved equipment.

At the same time, any redistribution in which a larger share of income is allocated to compensation of employees may tend to reduce taxes, for income credited to profits presumably pays tax rates higher than those assessed against wages and salaries.

3.11 *Changes in profits and property income.* With these considerations in mind, the series summarized in Table 7.3 may be examined to note major changes during the twenty-year period. The wide fluctuation in levels of profits is most obvious. Both profits before taxes and profits after taxes have varied greatly. In some years they disappear entirely. The years of World War II and those immediately following are characterized by very high levels of profits before taxes, although, when taxes are deducted, none of these years is equal in terms of proportions to 1929.

The meaning of "profit" figures as thus presented must be clear. It includes revaluation of inventories, so that rises in prices are automatically registered as profits. Hence, a substantial portion of the increase in the period after 1940 must be recognized as a reflection of the rapidly rising price level. Since no similar inflation was in process in 1929, the figure and percentage for that year attain added significance.

The retention of profits by business also deserves note. It is apparent from the table that business distributed profits in excess of those earned for some nine years in the period. Since 1939, the proportion of national income withheld in this form appears to have been increasing.

High levels of profits after World War II occurred in a period when money wages were also rising. Nevertheless, many critics argued that profits were too high. Professor Slichter has explained that one justification for high profits at this time was the great need for capital. He indicates that whereas, in the fifty years before 1929, some $1.75 was invested in new equipment for each dollar's worth of facilities that became obsolete, only about $1.14 had been similarly invested in the years from 1929 through 1948.[1]

Further, note should be made of the fact that the long-term trend in total property income as a proportion of total national income has been downward for half a century. Slichter notes that the total share of profits, rent, and interest has fallen from about one-fourth in 1880 and 20 per cent in 1929 to about one-sixth in 1947. The declining share going to dividends is especially notable, as may be seen from the last column of Table 7.3. A similar reduction in interest is also striking. Interest amounted to 7.9 per cent of the *private* national income in 1929, 14.6 per cent in 1932, and 14.4 per cent in 1933. By 1947, after a long, steady decline, it amounted to 1.9 per cent.[2]

[1] Sumner H. Slichter, "Are Profits Too High?" *Atlantic Monthly*, July, 1948, pp. 31–35.

[2] *Survey of Current Business*, Vol. 28, No. 2, February, 1948, p. 7.

3.2 *Wages and Productivity.* The notion that living scales can best be advanced by increasing wages as productivity improves is well established. It has been encouraged by the arguments of employers who seek through incentive wage systems and bonuses to increase output. It gains support from the fact that many employees are compensated on a piecework or commission basis that makes the relationship between output and earnings both real and apparent. It is but a step from such simple relationships to the broader conclusion that wages of each industry or of industry as a whole should closely reflect increases in productivity. That position is widely accepted today.[1]

Question arises, however, as to the extent to which wage earners should participate in such productivity gains. These advances may be divided among consumers (in the form of lower prices), investors (to compensate for risks taken and the provision of improved productive facilities), and wage earners. A basic question, therefore, concerns the principles that may most effectively guide this distribution toward the economic goals of modern society.

3.21 *Measurement of productivity.* Consideration of what has happened in the past may provide some guide in seeking an answer to this question. Perhaps, however, note should be taken of certain difficulties that must be recognized as complicating all analyses of the subject. The necessity for measurement is fundamental in such an analysis. Yet there is no simple and broadly applicable unit of productivity. Units of physical output may be measured for individual industries. But such measurements necessarily describe the effects of all factors of production. The output they measure is the composite result of combining these factors. Hence, the measure appraises much more than "labor" productivity.[2]

To secure an over-all measure of even this complex type of productivity for several industries, some common denominator must be found. That most commonly used is the value of the product. But dollar values fluctuate with prices, so that value productivity may increase or decrease without a corresponding variation in physical productivity.[3]

In practice in individual industries, productivity is most frequently

[1] See discussions in Alvin H. Hansen, *Economic Policy and Full Employment*, New York, McGraw-Hill Book Company, Inc., 1947; John T. Dunlop, "Productivity and the Wage Structure," in *Income, Employment and Public Policy*, New York, W. W. Norton & Company, Inc., 1948, pp. 341–362.

[2] See, in this connection, "Measuring Labor's Productivity," New York, National Industrial Conference Board *Studies in Business Policy*, No. 15, 1946.

[3] This difficulty is further complicated by the fact that "value created" concept is frequently substituted for the actual value of output. Such a procedure may further magnify the influence of price by revaluing inventories. See AFL *Labor's Monthly Survey*, Vol. 9, No. 10, October, 1948, p. 2.

assessed by dividing an index of physical volume of output by a similar index of man-hours employed. The resulting index indicates changes in output per man-hour for the industry. It reflects the influence of all factors on that output, not merely those of labor, as is sometimes inferred.[1]

3.22 *Differences in labor costs.* Relative importance of the factors in increased productivity is not readily calculated. Presumably, however, some indication of the significance of labor in productivity changes may be provided by a measure of the importance of labor costs in total costs. Federal Trade Commission data have provided such an analysis for 86 industries as of 1940.[2] The range of direct labor costs is very broad, from "high" industries—smelting and refining equipment, 28.5 per cent; steel castings, 24 per cent; clay products, 21.3 per cent; cotton textiles, 22.5 per cent; gray-iron and malleable-iron castings, 25.9 per cent; and lumber and lumber products, 23.6 per cent—to "low" labor cost industries, such as soap, cottonseed products, and cooking fats, 3.4 per cent; petroleum refining and marketing, 3.7 per cent; food products machinery, 3.1 per cent; and cane sugar, 3.8 per cent.[3] Such figures have sometimes been cited to show that a wage increase in any industry should have only a proportionate influence on price. Such analysis ignores the fact that the "other" costs in most industries include a large element of labor costs. Hence, any general increase extending beyond the single industry exerts an influence on nonlabor as well as labor costs for each individual industry.

No specific conclusion as to the precise contribution of each productive factor, even in an individual industry, is warranted. Rather, it is apparent that productivity is a joint product. Moreover, two analysts have concluded that labor is not the "primary" factor in increasing productivity, that major responsibility must be accorded to increased power, more efficient tools, improved technical knowledge, and generally more efficient management.[4]

3.23 *Changes in power and capital.* There is ample evidence that power available to supplement the efforts of employees has increased greatly with the development of modern industry. The biennial Census of Manufactures has provided estimates of available horsepower per

[1] Continuing series of indexes of productivity for individual industries (Bureau of Labor Statistics data) are published regularly in the *Handbook of Basic Statistics.*

[2] *Handbook of Labor Statistics,* 1947 ed., pp. 210–211.

[3] See also "Productivity and Unit Labor Cost in Selected Manufacturing Industries, 1939–1945," mimeographed, Bureau of Labor Statistics, May, 1946; also "The Varying Importance of Labor Costs," *Business Week,* Sept. 17, 1949, p. 100.

[4] Jules Backman and M. R. Gainsbrugh, "Productivity and Living Standards," *Industrial and Labor Relations Review,* Vol. 2, No. 2, January, 1949, pp. 163–194 (note especially p. 164); see also their "Behavior of Wages," *Studies in Business Economics,* No. 15, New York, National Industrial Conference Board, 1948.

wage earner for years from 1899 to 1939. In the forty-year period, data indicate an increase from 2.1 horsepower in 1899 to 6.5 horsepower in 1939. Actual installed horsepower increased sixfold in the period.[1]

A similar growth is reflected in the value of capital equipment available to wage earners. Manufacturing capital investment is said to have grown from about 1 billion dollars in 1849 to 50 billion in 1939. Snyder and others have estimated capital investment in 1849 at approximately $500 per wage earner. Fifty years later, in 1899, the value of such capital goods was almost $2,000. In 1939, it was approximately $5,000.[2] By 1948, it had grown to some $8,000.

3.24 *Changed output.* The resulting increase in productivity is evident, in spite of difficulties in measurement and allocation of responsibility for it. Output per man-hour in manufacturing was three times as great in 1939 as in 1899 (see Table 8.4 in Chap. 8 following). Man-hour output for industries other than agriculture was six times as great in 1940 as in 1840.[3] Increases are apparent since earliest dates for which information is available. Moreover, the rate of increase in the United States—although not constant—does not appear to have lessened over the long term. On the contrary, productivity has increased more rapidly during the past fifty years than in earlier years for which data are available. Annual averages approximate 3 per cent.

3.25 *Labor share in increased output.* How have wage earners fared with respect to these increases? To what extent have wages accounted for the added values thus produced? In an earlier section of the chapter, changes in money wages and real wages have been noted. In the period from 1899 to 1939, money wages trebled. Productivity in manufacturing increased in approximately the same proportion. Real wages were more than twice as high at the close of this period as they were at its start. Dunlop reports that there is, for most industries for which data are available, a significant tendency for wages to increase to a greater extent in those industries in which productivity gains are greatest.[4]

On the other hand, in most of the industries described by Dunlop,

[1] See "Shifts in Installed Horsepower in Manufacturing," *Survey of Current Business*, Vol. 23, No. 1, January, 1943, p. 26.

[2] Carl Snyder, "Capital, the Creator," quoted in *The American Individual Enterprise System*, New York, McGraw-Hill Book Company, Inc., 1946, pp. 877–878. See also *Economic Almanac*, 1948, New York, National Industrial Conference Board, 1947, p. 85, and later issues.

[3] Sumner H. Slichter, "Some Basic Issues Raised by Trade Unions," *Proceedings of the American Philosophical Society*, Vol. 92, No. 3, July, 1948, p. 205; see also George J. Stigler, "Trends in Output and Employment," New York, National Bureau of Economic Research, 1947.

[4] Dunlop, *op. cit.*, p. 350.

hourly earnings increased by a smaller percentage than the increase in man-hour output. The gains of productivity in these industries were apparently shared by labor and investors or consumers. Backman and Gainsbrugh conclude that productivity gains have principally benefited employees and consumers, with some possible advantages to government and some additional income to stockholders.[1] Slichter, however, concludes that "virtually all of the gains of technological progress went to employees rather than to consumers."[2]

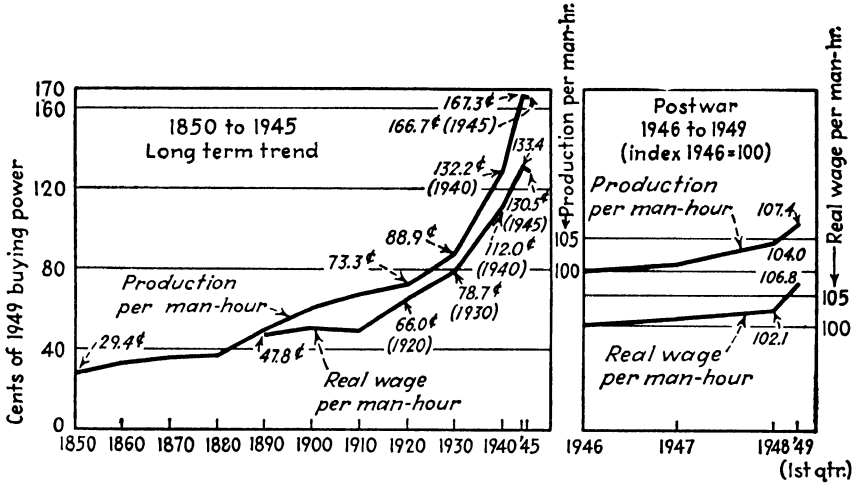

FIG. 7.6. Production and real wages, 1850–1949. (*AFL calculations, reproduced by permission from Labor's Monthly Survey, Vol.* 10, *Nos.*, 5 and 6 *May–June*, 1949, *p.* 3.)

The American Federation of Labor has compared production per man-hour with real wages per man-hour since 1850. Calculations of production per man-hour represent national income divided by total man-hours. Real wages are those of manufacturing employees. The comparison, graphically shown in Fig. 7.6, indicates that while real wages have maintained a reasonably consistent relationship to production in earlier years, the gap has widened since the depression of the 1930's.

3.26 *International productivity and wages.* Conditions that have increased output per man-hour in this country have also held it at levels much higher than those attained in most foreign nations. In the 1935–1939 period, manufacturing wage earners in the United States were 2.15 times as productive as those in England, miners were 4.15 times as productive, employees in public utilities and communications 2.33 times, those in building and construction 1.15 times, and those in agriculture

[1] *Ibid.*, p. 193.
[2] *Ibid.*, p. 205.

and fisheries 1.03 times.[1] The influence of high capital-manpower ratios is apparent. American wage earners have a greater advantage in the "high capital" industries—manufacturing, mining, and public utilities—and a lesser advantage in construction and agriculture. In another international comparison, man-hour output in Canada was 71 per cent of that in the United States (1937); that of the United Kingdom was 36 per cent (1935); that of Russia, 36 per cent (1937); that of Germany, 41 per cent (1936); and that of Japan, 25 per cent (1938).[2]

These differences are reflected in average earnings, which have already been noted (see pp. 141, 187) and in average wage-earner income. In 1945, when average hourly earnings of factory workers in the United States were $1.023, similar averages (although not for precisely the same categories of wage earners) were 40.2 cents in Great Britain; 44.6 cents in Norway and Sweden (adult males; adult females averaged 26.8 cents); and 46.4 cents in Switzerland.[3] Even more striking are the indexes of hourly income levels per "person at work." If the United States is taken as the base, these indexes include: United States, 100; Australia, 64; Netherlands, 44; Italy, 18; India, 8; and China, 3.[4]

It must be concluded that great increases in productivity are sharply reflected in the earnings of American wage earners. They have unquestionably received a major share in such increases. That they will continue to do so may be confidently expected, for there is no apparent change of trend in this distribution.

4.0 Current Proposals for Change

Although wage earners in the United States have attained levels of wages and scales of living far higher than those prevailing in most other nations, these accomplishments by no means represent the full attainment of social goals with respect to material living conditions. On the contrary, as analysis of family incomes clearly indicates, there are serious problems. How are they to be solved? How may wages be further advanced? What social policies and techniques appear appropriate and promising?

Many proposals for additional laws and regulations—or for the elimination of existing regulations—have been made. Many of them reflect the special interests of those who propose them. Thus some leaders of organized labor argue that the most promising approach is one that

[1] According to the CIO *Economic Outlook*, Vol. 10, No. 2, February, 1949, p. 12.

[2] Backman and Gainsbrugh, *op. cit.*, p. 185; see also the CIO *Economic Outlook*, Vol. 10, No. 2, February, 1949, p. 12.

[3] Ewan Clague, "International Comparison of Wages, Labor Cost and Productivity," cited in Backman and Gainsbrugh, *op. cit.*, p. 191.

[4] Adapted from Colin Clark, "Theory of Economic Growth," as cited in Backman and Gainsbrugh, *op. cit.*, p. 190.

expands labor organization and gives it greater freedom. Representatives of employers and owners of capital, on the other hand, insist that since increased capital and improved management have done so much to advance wages in the past, they should be freed of all or most restraints and allowed to increase their good works in the future.

Numerous proposals frequently seek to raise wage rates by one manner or another. They are sometimes countered in popular discussions with arguments to the general effect that raising wage rates is likely to reduce earnings by exerting an adverse effect upon employment. That point of view is, however, advanced with somewhat less assurance than was the case in earlier years. For there is widespread agreement that upward adjustments in wage rates by no means necessitate reductions in employment in all situations. Particularly if such adjustments are not abrupt, an individual firm may absorb them without restricting output or employment. Increased rates of pay may fall within the range or limits regarded as defining the area of discretion to the firm. They may be deducted from profits without reducing dividends below a level acceptable to management. They may be accompanied by a proportionate increase in the productivity of labor without raising total output to a point requiring price reductions. They may spur management to increased efficiency and reduced managerial costs. They may stimulate research and technological change. The latter, coming somewhat later, may postpone a reduction in employment. Or the improved technology may permit price reductions and—with an elastic product demand—actually increase output and employment. Possibilities of wage rate increases without adverse effects on employment have stimulated an increased number and variety of proposals for meeting problems associated with low earnings of wage earners.

This concluding section of the chapter considers a few of the most prominent proposals for attaining higher wages and living scales—for continuing and advancing the never-ending campaign for "more."

4.1 *More Collective Bargaining.* What about the contention that an expansion of collective bargaining will assure higher wages? Is unionization the answer?

No conclusive, final, uncompromising "yes" or "no" appears to be appropriate. Early studies seemed to indicate that unions must be credited with little or no effect on long-term changes in real wages of their members. Douglas,[1] whose study was most extensive, concluded that whereas unions had certainly secured temporary advantages for their members, over a longer period their gains were not appreciably greater than those made by nonunionists.

[1] Paul H. Douglas, *Real Wages in the United States, 1890–1926*, Boston, Houghton Mifflin Company, 1930.

More recently, this conclusion has been questioned. Ross has reexamined the data studied by Douglas. By giving greater weight to absolute amounts of increases and discounting the higher wage rates with which unionized labor began the period under consideration—1896–1926—he finds that unionists received appreciably greater increases than nonunionists. For the nonunion group the average increase was approximately 18 per cent. For the unionized group, the increase was about 60 per cent.[1] He concludes that "Real hourly earnings have advanced more sharply in highly organized industries than in less unionized industries, in periods of stable or declining union membership as well as periods of rapid organization."

In a further analysis of changes in real hourly earnings from 1833 to 1945, Ross finds that employees in highly organized industries received definitely greater increases than those in less organized industries.[2]

Even if this evidence is regarded as conclusive, there is question as to whether societies may wish to depend on labor organizations in seeking the social goal of higher living scales. For the goal is not restricted to union members. Unless it be assumed that all wage earners are to become unionists, therefore, labor organization should scarcely be expected to provide a comprehensive solution. Moreover, there is some question whether, as labor organization becomes more inclusive, it may not become less effective in this respect. Levels of wages in some of the older industrial nations where unions include larger proportions of the labor force are sometimes cited as indicating this limitation. It has been argued, indeed, that unions achieve the special advantages accruing to their members at the cost of advances for nonmembers.

Such a charge is not readily answered. It is countered by the equally questionable assertion that gains of unionists actually force similar gains for nonunionists. Appraisal of both assertions is frequently confused by references to advances in money wages in short-term analyses of changing wage levels.

Question may be raised, also, as to the care with which unionists might be expected to maintain adequate profits, savings, and prospective returns to property that would assure necessary capital investment. Pressures would be even greater on labor than on political organizations to cut profits and allocate ever-increasing shares of income to consumers, particularly those who were participating members of labor organizations. Added attention is given to economic effects of collective bargaining in Chap. 20.

[1] Arthur M. Ross, "The Influence of Unionism upon Earnings," *Reprint 5*, Berkeley, Institute of Industrial Relations, University of California, 1948; also his "What is Responsible Wage Policy," *Reprint* 8, Berkeley, University of California Institute of Industrial Relations, 1948.

[2] "The Influence of Unionism upon Earnings," pp. 264–273.

4.2 *Wealth-sharing Proposals.* Suggestions for wealth sharing have appeared frequently in earlier as well as recent years. They are typified by the late Huey P. Long's share-the-wealth movement and other similar proposals. Most of them fail to recognize the forms in which wealth appears in modern society. It would be difficult, indeed, to divide up such forms of wealth as factories, railways, franchises, and patented processes. If ownership were merely divided by distributing ownership certificates, it would be still more difficult to maintain that redistribution.

On the other hand, some steps in that direction have been taken. Inheritance taxes, with progressive rates that take larger shares from larger fortunes, reduce the size of estates and transfer ownership to the public. They do not actually place such confiscated wealth in the hands of private citizens, however. Redistribution through such taxation appears to be favorably regarded and may exert an increasing influence in the future.

4.3 *Redistributing Income.* The principle of redistributing income that is presently available is well established. "Progressive" income taxes are widely used, both in this country and abroad, for this purpose. Whether they should be modified to make rates more "progressive" is continually debated. Opponents of such action insist that they have already reached a point where they discourage initiative. No one has been able, however, to demonstrate the precise location of that point or to identify signals that may provide a warning when it is reached.

A somewhat more "radical" proposal for redistributing income would reduce or eliminate shares going to proprietors and managers and add these shares to those of wage earners. This proposal reflects the notion that profits are too high and that salaries of management are also exorbitant. The question of profit levels has already been considered. With respect to managerial salaries, it must be admitted that there are few criteria or yardsticks by which to judge appropriate levels. They may be unreasonably high; the contribution of an able leader or manager is, however, not readily translated into monetary terms. On the other hand, they could be transferred in their entirety to wages without making any appreciable increase in the latter. If such salaries were allocated to wage earners, the addition has been estimated at 1 or 2 cents per hour. While no increase, however small, is insignificant, no great advance in living scales could be made, even temporarily, by such an addition.

4.31 *Differential propensities to consume.* Many proposals for redistributing income are based on the assumption that placing added income in the hands of lower income recipients would assure greater consumption and thus maintain demands for consumption goods products. Such conclusions are based principally on studies indicating that lower income groups spend larger proportions and save lesser shares of their

incomes than do those in the higher "brackets." In other words, *average* propensities to consume are greater among lower income recipients. Hence, it is concluded that if the social objective at any given time is to increase consumption and reduce investment, redistribution favoring lower income groups is an appropriate means to this end.

Such thinking ignores what may be a highly significant distinction between *average* and *marginal* propensities to consume. It is by no means certain that the latter show the same pattern as is indicated in budget analyses. In other words, budget studies do not show what will be done with the income dollar that is taken from high-level recipients and transferred to lower level recipients. The net effects, for example, of transferring dollars from stockholders to wage earners may not follow the pattern, in terms of consumption, indicated by budget analyses. Indeed, the problem thus stated, the problem of marginal propensity to consume, is one of the most challenging and significant presently facing students in this field. As Sumner Slichter has said, "No one knows what the relationship is between changes in the flow of income and changes in the flow of savings."[1] Little evidence is presently available; the need for additional studies is great.[2]

4.4 *Wage Rate Maintenance.* Consideration of the recessions in money wage rates in several periods during the past century clearly indicates the deflationary impact they exert upon family incomes and living scales in periods of prolonged business depression. When wage rates have fallen, times have generally been "hard." Hence lowered rates are associated in popular thinking with reduced "purchasing power." To many, the lesson is clear: maintain wage rates and thereby sustain the whole economic structure. Advocates of this policy propose to maintain purchasing power by holding wage rates at prosperity levels. As noted in an earlier section, sponsors have epitomized the idea in the slightly ungrammatical slogan, "High wages is good business."

As a matter of fact, as may be recalled, wage rates show much less flexibility than earnings. They are particularly resistant to any downward pressure. Further, it may be argued with equal reason (in the absence of evidence to support either position) that purchasing power might better be sustained by reducing wage rates in periods of recession than by maintaining them at prosperity levels. For wage rates and employment are both elements in earnings and purchasing power, and demands for labor unquestionably show some elasticity.

To maintain wage rates when prices are falling virtually amounts to

[1] In his "The State of Economics," *Social Science Research Council Items*, Vol. 3, No. 3, September, 1949, pp. 25–28.

[2] In this connection, see A. H. Hansen and P. A. Samuelson, "Economic Analysis of Guaranteed Wages," *Bulletin* 907, Bureau of Labor Statistics, June 9, 1947, pp. 28*ff*.

raising such rates. Those who advocate the maintenance of rates generally assume that labor costs are a relatively insignificant share of total production costs, so that reducing labor costs would not favorably affect demands by lowering commodity prices. This point of view has been considered in an earlier section. The procedure may force additional numbers of employees into the already expanded ranks of the unemployed. It might, of course, stimulate increased business activity by suggesting higher future levels of prices.

4.5 *Minimum Wage Laws.* Minimum wage legislation seeks to maintain higher levels of wage-earner income by specifying minimum rates of pay. Such legislation is given added attention in Chap. 11. Here it may be noted that minimum wage legislation has applied to the employment of women and children for many years and more recently to that of men. While such legislation was limited to the states in this country until 1938, the Fair Labor Standards Act of that year brought its coverage to groups that now number some twenty-three million employees who are closely related to and directly essential to the production of goods for interstate commerce.

Minimum wage laws set rates of pay. They do not specify minimum employment. Hence they cannot assure income. If rates are set at levels that make employment unprofitable, such legislation may have an adverse effect on income. For the most part, however, rates thus far established have been so low that they have probably occasioned unemployment only in a few instances and on a temporary basis. Their effect in periods of depression may be more serious, however. Several studies undertaken to appraise effects of established minima are noted in the later discussion of these provisions.

4.6 *Prevailing Wage Laws.* Prevailing wage laws forbid wage cutting on public construction. Largely at the insistence of organized labor, prevailing wage laws have been enacted by all of the 48 states, and the Federal Davis-Bacon Act of 1931 places the same restriction on Federal construction. The Federal government has further extended these requirements by the Walsh-Healey Act of 1936, which provides that contractors for goods purchased by the government in amounts in excess of $10,000 must certify that such goods are produced under labor standards prevailing in the communities in which they are processed. Prevailing wages and working conditions are to be determined by the Secretary of Labor.[1]

Some difficulty has been encountered in attempts to enforce prevailing

[1] The Walsh-Healey Act also specifies straight-time weekly hours (40) and daily hours (8), and allows no employment of males under sixteen years of age nor of females under eighteen years of age. It also prohibits convict labor on such contracts. The act also requires minimum health standards. See *Monthly Labor Review*, Vol. 43, No. 2, August, 1946, pp. 368–372.

wage legislation. Not infrequently, it appears that employers have required employees to "kick back" a part of the wage paid them in order to get and hold jobs. The Federal government, in 1935, enacted an anti-kickback law, which makes such enforced repayments a criminal offense.

Legislation of this type is intended to strengthen the effectiveness of labor's own program of wage rate maintenance. Laws try to prevent wage rate cutting or "chiseling." There is no question but that these rules have been enforced and have prevented wage cutting on government construction and contracts. Moreover, particularly during the defense program and World War II, the Federal government became so important as a purchaser that its rules set the pattern.

On the other hand, this type of regulation introduces a powerful influence toward inflexibility in wage rates. Downward adjustments in periods of falling prices or business recession are made more difficult. Hence, such legislation may have a tendency to restrict employment or retard reemployment in these periods.

4.7 *Family Allowances.* A common proposal has urged that this country should follow the lead of several foreign nations and adopt an arrangement known as "family allowances," whereby ordinary wages are supplemented by benefits adjusted according to numbers of each wage earner's dependents. Such allowances may be voluntarily provided by employers, or they may be paid by the state, or they may be compulsory upon employers. The system that is most common appeared first in France in 1914, although it did not attract general attention until after World War I.

As the system has developed, base rates of hourly, daily, or weekly pay for all employees are unchanged. Amounts of allowances to be paid for dependents of various ages are established. Wage payments are made directly to employees by employers in the usual manner. Family allowances are paid out of a central fund in each community or industry. Employers contribute to this fund according to the numbers of man-hours worked in their various establishments or, in some cases, according to totals of weekly payrolls. Rates of employer contributions are based on estimates of total requirements as determined by the number of dependents. This type of arrangement, it will be noted, precludes discrimination by individual employers against employees with large numbers of dependents, for each employers' contribution is determined without reference to the number of dependents of his own employees. In several localities, these systems have been established voluntarily by employers. In France, they were made compulsory by law for all employers in 1932. In Canada, Belgium, Germany, Italy, New South Wales, New Zealand, and Chile, and in Central and South American nations several million additional employees participate in similar

programs. In Canada, in 1948, allowances were paid to 1,675,000 families that included 3,775,000 children. Payments per family averaged somewhat less than $14 monthly. Exponents of Canadian legislation point to the fact that 84 per cent of all children are found in the homes of 19 per cent of the wage earners. They insist that society as a whole should help to carry the burden of raising future populations.

Such an expression indicates an assumption that underlies most family allowance provisions, an assumption that added wages thus assessed will become an element in higher prices and will be passed on to consumers. There is, of course, some question as to the reality of this effect, at least as applied generally throughout industry. Prices in general may scarcely be regarded as cost-determined, unless it be assumed that elasticities of demand for products and for labor are ineffective. If there are such elasticities, then the added costs of family allowances, like any other increase in labor costs, may reduce employment and wage earners' income. The price to be paid for these provisions, in such cases, is fewer goods and services available for consumption and the possibility of lower total income for employees.

On the other hand, there are strong arguments for aiding wage-earner parents in their support of children. Such a step is directly in line with social objectives with respect to family income. Moreover, the device may aid in maintaining the birth rate and thus providing an adequate labor force in the future. It is notable that the system first gained widespread acceptance in nations in which the falling birth rate was regarded as an unfavorable trend.[1]

4.8 *Guaranteed Wages.* A somewhat different attack on the wage problem is represented by the frequent proposal for guaranteed wages. As advanced by a number of labor organizations, this attack would guarantee "annual wages" to employees in lieu of present hourly or similar rates. The proposal is "realistic" in that it recognizes the necessity for year-round security, rather than merely high levels of rates of pay

[1] For details of family allowance provisions, see "Canada's Family Allowances Act, 1944," *Monthly Labor Review*, Vol. 59, No. 5, November, 1944, pp. 996–997; "Family Allowances in Canada, 1945–1947," *Labour Gazette*, Vol. 47, No. 10, October, 1947, pp 1424–1425; "Family Benefits in France," *Ministry of Labour Gazette*, Vol. 54, No. 10, October, 1946, pp. 281–282; "Family Allowances in France," *International Labour Review*, Vol. 52, No. 2–3, August–September, 1945, pp. 196–210; "Family Allowances for Railwaymen in Argentina," *ibid.*, Vol. 51, No. 6, June, 1945, pp. 792–793; "Family Allowances for Teachers," *Monthly Labor Review*, Vol. 63, No. 2, August, 1946, pp. 243–246; "Family Allowances in Uruguay," *International Labour Review*, Vol. 51, No. 2, February, 1945, pp. 234–235; F. B. MacKinnon, "What Family Allowances Mean to the Maritimes," *Public Affairs*, Vol. 8, No. 2, Winter, 1945, pp. 103–108; M. T. Waggaman, "Family Allowances in Various Countries," *Bulletin 754*, Washington, U.S. Department of Labor, Bureau of Labor Statistics, 1943; "New Provisions for Family Allowances in Three Countries," *Monthly Labor Review*, Vol. 63, No. 2, August, 1946, pp. 246–248.

available for an indefinite period. Wage earners and their families must live on a full year basis. In essence, what is proposed is that employers shall be required, either by law or by collective agreement, to guarantee a minimum annual wage.

Details of the various proposals follow a fairly similar pattern. Most of them have been modeled after several widely publicized examples—best known of which are probably the Hormel, Procter and Gamble, and Nunn-Bush plans. These three are said to represent the three major types of provisions, which include (in the order mentioned) (1) guaranteed annual wage plans, (2) guaranteed employment plans, and (3) guaranteed purchasing power plans.[1] As these labels indicate, the first type assures employees of a specified minimum annual wage, regardless of the amount of work available. The second guarantees a minimum amount of work, at specified rates. The third proposes to adjust wage rates to whatever extent may be necessary to maintain employment and an even flow of real wages to employees.

Demands made by unions during the course of World War II led to an extensive study of annual wage guarantees—the term is used in the broad sense to include all types of plans—by the Office of War Mobilization. The resulting report has provided some basis for assessing possibilities of guaranteeing annual wages.[2] From the report, it is apparent that this device cannot be regarded as universally applicable. Many types of employment normally involve a series of employers throughout a year. No single employer, under such circumstances, is in a position to guarantee annual wages. In other situations, while such a guarantee could be extended to a nucleus of the work force, its broader application would require extensive modifications in present practices. Among the necessary adjustments, one major change would require added flexibility in work assignments, so that some employees could be employed at a variety of jobs. These are, however, no impossible obstacles. With such adjustments and by using unemployment compensation as a supplementary source of income, substantial guarantees of annual wages appear possible for a large portion of all wage earners. Such guarantees would represent a distinctly forward step toward wage stabilization and wage security.[3]

[1] This is the classification proposed by Howard Wilson in his "Wage Guarantee Plans," Chicago, Economic Institute, 1948, p. 5. For details of the plans mentioned, see "Hormel Annual Wage, Wage Incentives and Joint Earnings Plans," Austin, Minn., George A. Hormel and Company, 1943; "Management's Responsibility toward Stabilized Employment," Chicago, Ill., Procter and Gamble Company, 1945; "Nunn-Bush Share the Production Plan," Milwaukee, Wis., Nunn-Bush Shoe Company, 1945.

[2] See Murray W. Latimir (ed.), *Guaranteed Wages*, Report to the President by the Advisory Board, Washington, Government Printing Office, 1947.

[3] Added attention is given to guaranteed employment proposals in Chap. 9.

On the other hand, however, guaranteed wages cannot be regarded as a complete answer and perfect solution for wage problems. As noted, their coverage must necessarily be limited. Further, they can be only a minimum guarantee; they do not assure the steady rise of real wages that represents a major social goal. They may have the effect of limiting employment, in that employers will hire a smaller number of employees in order to keep them occupied throughout the year. If they increase labor costs, that fact may further reduce employment. Some critics of guaranteed wages have argued that increased costs are to be expected, in part because employees will have less incentive to work efficiently if they feel secure. Some inefficiency may result from multiple job assignments; employees may not be as effective on some jobs as those presently employed specifically for these jobs.

Job security might, however, have an opposite effect. Employees, relieved of concern over unemployment and having no incentive to "make the job last," might be more efficient. In that case, costs could be reduced to the advantage of all[1] (see Chap. 9, pp. 261–264).

4.9 *Profit Sharing.* Another frequent proposal, particularly in times of high-level business activity, is one that suggests that employees share in profits through some formal profit-sharing plan. As usually advanced, the argument for such arrangements holds that managements, employees, and the public benefit from profitable operations, that employees can do much to make operations profitable, and that they can and will work toward that objective if they receive a reasonable share of resulting profits. Their share in profits will supplement wages and raise income and living scales. Many employers have become enthusiastic about these possibilities. A Council of Profit-sharing Industries with more than 100 member firms has published a 647-page "manual" which presents case histories of profit sharing and outlines principles to be followed in instituting such plans. The council states that plans result in greatly increased productivity, lowered costs and prices, higher wages, better labor-management teamwork, and greater job satisfaction.

Some question as to the frequency with which these results appear is suggested by several reports of the National Industrial Conference Board. These reports indicate that as many as one-third of the concerns having such plans are not satisfied with them and that the mortality in such plans has been heavy.[2] Further, organized labor has been suspicious of many plans. As indicated by Scanlon, unions in general have felt that such plans were used as substitutes for a justifiable wage increase, "a

[1] See Wassily Leontieff, "The Pure Theory of the Guaranteed Wage Contract," *Journal of Political Economy*, Vol. 54, No. 1, February, 1946, pp. 76–79.

[2] See F. Beatrice Brower, "Profit Sharing for Workers," *Studies in Personnel Policy*, No. 97, National Industrial Conference Board, 1948.

substitute which amounted to a wage increase with a retriever string attached."[1] Unions have been convinced, also, that plans have frequently sought to undermine labor organization, as evidenced by the fact that they have generally been instituted on a unilateral basis.

Plans appear to have been more successful in small concerns than in larger organizations. Success is closely related to the sense of participation and partnership developed within the organization. Employees must, most observers agree, see that their increased output is directly reflected in profits accruing to them. All these conditions are more readily developed in small units where top management and employees have frequent direct contacts and where the financial affairs of the whole operation can be readily and fully explained to employees.

This limitation to smaller organizations lessens the over-all significance of profit sharing, so far as the aggregate of wage earners' incomes are concerned. It is further limited by the fact that many managements are still reluctant to divulge details of financial operations to employees. In the absence of such frank and unrestricted disclosures, no satisfactory basis for long-term cooperation in a profit-sharing plan is likely.

Equally important is the fact that profits reflect many factors that are beyond the control of managements or employees. As a result, profits may decline or become nonexistent in spite of the best efforts of both. In such cases, employees may suffer through reduced employment at the same time that they lose such added income as they may have been receiving through profit sharing. In other words, the amplitude of fluctuations in their earnings may be increased. This is but another way of saying that profits represent a questionable source of income for wage earners. Rather, they should probably be regarded as payment for a risk-bearing function that should be specialized.

Such a conclusion does not imply that all plans are objectionable in their present form. On the contrary, plans that meet with approval and evoke enthusiastic participation from employees have obvious value. But they cannot and should not be expected to provide any large share of wage earners' incomes, for the reasons noted[2] (see also Chap. 22).

QUESTIONS AND EXERCISES

1. What criteria may be used to determine the adequacy of wages?
2. Describe the difficulties in providing an exact definition of living wages.

[1] Joseph N. Scanlon, "Profit Sharing under Collective Bargaining: Three Case Studies," *Publications in Social Science*, Series 2, No. 23, Massachusetts Institute of Technology, 1948, p. 59 (reprint from *Industrial and Labor Relations Review*, Vol. 2, No. 1, October, 1948, pp. 58–75); *Profit Sharing Manual*, Columbus, Ohio, Council of Profit-sharing Industries, 1948.

[2] See, in this connection, Gustave Simons, "Economic and Legal Aspects of Profit-sharing Plans," *Industrial and Labor Relations Review*, Vol. 2, No. 1, October, 1948, pp. 76–89.

3. Why is the concept of living wages of limited usefulness in economic analysis?

4. What can be said as to the adequacy of family incomes in the United States?

5. Evaluate the so-called "American" scale of living.

6. Describe long-term trends in money earnings and real earnings in the United States.

7. Are wage rates more or less flexible than consumers' prices?

8. What can be said with respect to trends in the distribution of the national income in the United States?

9. What would be the probable effect of a tendency toward equalization of wage rates on the total of demands for goods and services?

10. Does evidence indicate a long-term trend toward concentration of income in the United States?

11. What significant trends may be noted in the distribution of income in the United States?

12. Cite available evidence to indicate savings patterns of wage earners.

13. Compare trends in profits and wages in the United States.

14. Compare long-term trends in productivity, money wages, and real wages.

15. Describe major problems encountered in attempts to measure productivity.

16. How are differences in labor costs among industries significant in wage problems?

17. Evaluate changes in capital-manpower ratios in terms of their effects on wage rates and earnings.

18. How have wage earners fared in sharing gains from technological advances?

19. Cite evidence to indicate the influence of collective bargaining on wage rates and earnings.

20. Evaluate major proposals for increasing wage earners' share in national income.

21. How is marginal propensity to consume significant in evaluating proposals for redistribution of income?

22. Describe usual procedure under systems providing family allowances.

23. Evaluate proposals for guaranteed wages in terms of their probable effects and their limitations.

24. Describe employee and union reactions to profit-sharing plans.

25. What can be said as to the effects of such plans for profit sharing as have been in operation?

Chapter 8

Job Marketing: Problems of Employment and Unemployment

Attention in the chapters just preceding this has centered on wages, wage structures, wage theories, and wage problems. The focus of interest has been the pricing process in markets for labor's services. In this chapter, interest shifts to another phase of this marketing process, that which emphasizes *job* markets rather than *wage* markets. Emphasis is focused on employment conditions arising out of the search for jobs rather than on the pricing of manpower's services.

In job markets, manpower resources find their opportunities for utilization. There, they secure or fail to secure employment. Job markets also affect the conservation of manpower, for certain jobs may waste or destroy labor resources. In most respects, social objectives that are most significant in consideration of job markets are the same as those noted in wage markets. Society seeks to have manpower employed in jobs that permit fullest personality development and effective utilization. Through such jobs and such manpower utilization society seeks to ensure higher living scales for the rank and file of citizens.

1.0 Levels of Manpower Utilization

Societies have every reason to be critical of the efficiency with which their resources are utilized. Inefficiency and underutilization mean wasted resources, waste that cannot, in many cases, be regained. This is particularly true of human resources, since failure to secure their maximum contribution in any period seldom results in an accumulated potential. On the contrary, it may actually reduce future potentialities by allowing skill and competence to deteriorate. On the other hand, overutilization may have equally serious results. Thus, for example, if employees work unusually long hours, these added hours may prove to be low in productivity. At the same time, such long hours may reduce morale, instill bad habits of work, and otherwise affect employees so that they will be less productive when shorter hours are subsequently restored. Again, if children and young persons are drawn into jobs at a time when they should be continuing their education, long-run effects may be adverse, from the standpoint of maximizing full personality development and the products of employment.

1.1 *Types of Underutilization.* The most obvious form of underutilization of manpower resources is unemployment. But it is by no

means the only form. Employment in jobs that fail to develop and use the highest aptitudes and skills of employees is also a frequent source of waste. This is in effect a type of *partial* employment. Underutilization characterizes those situations also in which manpower is employed for fewer hours per day or week than is appropriate in terms of efficient hourly production. Many instances of underutilization arise out of discriminatory employment practices that keep certain types of employees out of jobs for which they are fitted and force them to accept jobs having lesser requirements. Thus hiring restrictions based on age or sex or nationality frequently have this effect.

1.2 *Forms of Overutilization.* Some aspects of overutilization have been suggested. Employment at inefficient long hours, for example, is not uncommon. Employment of youngsters, if it interferes with the development of their capacities and abilities, falls in this category. Employment of mothers, if it interferes with family obligations, may readily have adverse effects on the future contribution of children. Employment under hazardous working conditions may be regarded as a form of overutilization. Certainly it is not effective conservation. Allocation of persons of limited skill and aptitude to positions which they cannot properly fill represents an attempt at overutilization.

2.0 "Full Employment" as a Goal

In recent years there has been frequent reference to "full employment" as a goal of modern society. In 1945 and again in 1946 legislation was introduced in the Federal Congress proposing that this nation provide for "full employment" by law. Most of those who have used this term and endorsed "full employment" as a social goal appear to mean that everyone who wants to work should have a chance to do so. But a realistic consideration of "full employment" as the term may be applied to manpower resources of modern society would mean much more than that. "Full employment" of human resources would mean (1) the allocation of all "eligible" manpower—*i.e.*, that which, in the best interests of manpower conservation, should be utilized at the particular time—to positions that would provide an opportunity for development and use of its highest capacities and skills; and (2) employment of such manpower under conditions that maximize its long-term productivity.

It will be immediately apparent that "full employment," so defined, is not "total" or "maximum" employment. "Total" employment is a more simple term which refers to a condition most obviously characterized by the absence of unemployment. In "total" employment, all those who want to work have jobs, but little question is raised as to the propriety of their allocation. In "maximum" employment, all those capable of working are employed, whether or not they wish to work.

"Maximum" employment refers to the greatest possible assignment of manpower at a given time. As frequently used, it carries little connotation of efficient placement—with maximum personal capacities fitted to job requirements—but it does imply the longest possible workday and work-week.[1]

Some of those who have been regarded as leading proponents of "full employment" have given the term meanings other than that here described. Thus, for example, Sir William Beveridge, in his *Full Employment in a Free Society*,[2] insists that the term means a "surplus" of jobs, so that not only may everyone have a job but that there is a "choice" of jobs available to all. There must be, according to this conception, a "sellers' market" available to labor. Other exponents of the idea have insisted that the "surplus" must be characteristic of each labor market, since immobility of labor would limit or destroy the effect of any "general" or "national" surplus. Many sponsors of "full employment" legislation have discarded the "surplus" idea and argued in favor of a "balance" of jobs and applicants for jobs.

Actually, these are but details, and for the most part details that are not particularly relevant to a realistic concept of full employment. But the basic goal is not the less useful because of controversies over such details. As a goal, the possibility of its perfect attainment is not essential to its usefulness. Nor are special definitions based on predetermined conclusions as to means of attainment especially useful. Perhaps, under present circumstances, the goal of modern society might better be described as "high level employment" rather than "full employment." Professor Slichter has emphasized the importance of this restated objective in his statement[3] that "the maintenance of stable high-level employment is the crucial problem of the generation."

[1] See, in this connection, Alvin H. Hansen, "After the War—Full Employment," Washington, National Resources Planning Board, January, 1942; Alvin H. Hansen, *Economic Policy and Full Employment*, New York, McGraw-Hill Book Company, Inc., 1947; H. L. McCracken, "Economic Contradictions," *Southern Economic Journal*, Vol. 13, No. 4, April, 1947, pp. 343–359; John H. G. Pierson, *Full Employment*, New Haven, Yale University Press, 1941; Emerson P. Schmidt, "Full Employment: Its Politics and Economics," U.S. Chamber of Commerce, *Post-war Readjustments Bulletin* 9, April, 1944; W. W. Cooper, "Some Implications of a Program of Full Employment," *Political Science Quarterly*, Vol. 63, No. 2, June, 1948, pp. 230–256; Barbara Wooton, "Full Employment," *Fabian Publications, Ltd., Research Series* 74, London, Victor Gollancz, Ltd., 1943; O. Lange, "Economic Progress and Full Employment," *Annals of the American Academy of Political and Social Science*, Vol. 246, July, 1946, pp. 91–94.

[2] New York, W. W. Norton & Company, Inc., 1945.

[3] In "Wage-Price Relations at High Level Employment," *American Economic Review*, Vol. 37, No. 2, May, 1947, p. 253; see also Russel Nixon and Paul Samuelson, "Estimates of Unemployment in the United States," *Review of Economic Statistics*, Vol. 22, No. 3, August, 1940, pp. 101–111.

2.1 *Voluntary Participation.* "Full employment" also suggests, in a democratic society, that each individual employee must be occupied, not only at the task to which he is best fitted, but also in that which he wants to do and for the hours per day and days per year that he, as an individual, wants to work. Such additional elements in the definition add a group of personal or individual goals to the social goal under consideration here. They may not be essential to a concept of "full" utilization and conservation of manpower resources in a totalitarian society. But they are requisite from an ethical viewpoint that regards as intolerable any utilization of human resources that is not carried on with the full and completely voluntary participation of each individual whose services are utilized. Such an emphasis on voluntarism is elementary in a democratic society.

This combination of personal and social goals results in obvious complications. It is entirely possible that such personal objectives may make full attainment of the social objective unlikely. Even so, the freedom of individuals to participate how and when and to the extent they wish is itself a major social goal as important or more important than full employment. Such conflicts of social objectives were noted, early in this study, as one of the major sources of social problems. They cannot be arbitrarily resolved.

2.2 *Practicality of Full Employment.* Proposals for "full employment" legislation have stimulated great controversy. While proponents of the idea have argued that modern society must assure all those who want to work a job and have thus defined full employment as assurance of job opportunities for all, opponents have labeled the idea as fantastic, impractical, and possible only in a managed or planned economy. Many of them have generally argued that proponents of the full employment objective seek thereby to destroy the free-enterprise system.

The concept of full employment as a social goal need have no such implications. On the contrary, it is essentially a sound objective, in terms of the wise use of manpower resources. That the goal is not likely of attainment "in our time" is no reason for discarding it. In some respects, it is probably unattainable under any system at any time in the foreseeable future. For example, most persons have a variety of capacities. To expect that jobs will fully utilize each of these aptitudes is unrealistic. There are other similar limitations. On the other hand, difficulty of complete accomplishment is not a fatal defect in goals. Indeed, most if not all social goals suggest a perfection that is an ideal rather than an expectation.

2.3 *Full Employment Legislation.* Legislation designed to encourage employment is not new. As early as 1931, Congress enacted the Federal

Employment Stabilization Act, which sought to provide a cushion of jobs to become available in depression periods. Major emphasis was placed, in this early legislation, on advance planning of public works, which were to be undertaken whenever unemployment became an important problem. Public works were to provide the assurance that there would always be a market for services.

2.31 *Employment Stabilization Act of 1931.* Major provisions of this legislation may be summarized as follows:

1. A Federal employment stabilization board composed of the secretaries of the Treasury, Commerce, Agriculture, and Labor was established.

2. Twenty-four divisions in various bureaus and departments of the Federal government were designated as "construction agencies."

3. The duties of the board were (*a*) to keep the President informed as to employment conditions, and to advise him when, in the opinion of the board, an unemployment emergency exists; (*b*) to work with the various construction agencies in advance planning of public works; (*c*) to report its progress to Congress from time to time; and (*d*) to collect data on conditions in business and construction regularly.

4. Board action in determining the existence of an unemployment emergency was to be based primarily upon the value volume of contracts for construction in successive quarterly periods, which were compared with similar periods in three previous years. Data on employment and other related conditions were also considered.

5. Plans for all construction to be undertaken by each of the divisions designated as construction agencies were prepared for a period six years in advance, submitted to the board and to the budget director for approval, and revised annually.

6. In an unemployment emergency, the President was authorized to direct the construction agencies to undertake planned projects.

7. Current conditions in construction and employment were to be considered each fiscal year before the national budget was presented to Congress, and special emergency appropriations for public construction could be sought if, in the opinion of the board and the President, an unemployment emergency justified such action. When emergency appropriations were voted, they could be used only for projects included among those planned in advance, in accordance with the provisions of the act.

These provisions were scarcely "on the books" when the nation found itself facing a major depression. Emergency public-works programs were initiated, without benefit of planning. Thereafter, as the nation emerged from the depression, little consideration was given to these provisions. In 1933, the board created by the act was transferred to a minor position

in the Department of Commerce. Then, in 1939, its functions were reassigned to the new National Resources Planning Board. That agency was abolished in 1943.[1]

In 1945 and again in 1946, proponents of a "jobs for all" program, in which the Federal government was to guarantee work opportunities, sought to secure enactment of a so-called "full employment" law. The proposed act would have committed Federal authorities to the use and manipulation of all resources at their disposal to guarantee that no one need be without work. Advocates of such legislation insisted that by its fiscal policy, its control of public-works programs, its taxing power, and its regulation of wages, hours, and other working conditions, the Federal government could not only assure the availability of jobs but could see to it that wage earners secured "suitable" jobs, fitted to their abilities and experience, with rates of pay judged to be appropriate for such work.

2.32 *Employment Act of 1946.* After extensive discussion and criticism, the Federal Congress enacted the Employment Act of 1946. While the law incorporates only a few of the provisions suggested by the enthusiastic advocates of "full employment," it does state the interest of the national government in seeking full utilization of the nation's manpower resources. Moreover, procedure designed to effectuate this objective was created by the legislation. In the declaration of public policy, the law states that

> It is the continuing policy and responsibility of the federal government to use all practicable means consistent with its needs and obligations and other essential considerations of national policy, with the assistance and cooperation of industry, agriculture, labor, and state and local governments to coordinate 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, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power.

The act places major responsibility on the President for the formulation of programs designed to achieve these objectives. A Council of Economic Advisers in the Executive Office of the President was created to assist in this function. The CEA consists of three members appointed by the President with the advice and consent of the Senate. Each receives a salary of $15,000 per year. A small staff of economists and technical assistants aids Council members. In addition, the law provides for establishment of a Joint Congressional Committee on the Economic

[1] See C. E. Warne, *Labor in Postwar America*, Brooklyn, N.Y., Ramsen Press, 1949, p. 284; also *Monthly Labor Review*, Vol. 49, No. 2, August, 1939, p. 378.

Report, to consist of seven senators and seven representatives. The Committee is provided with a small technical staff. Its membership is divided politically according to the relative strength of the parties in congress.

Major emphasis, in the law, is directed to the development of an annual Economic Report, which is presented by the President to Congress within 60 days after the beginning of each regular session. These reports are also submitted to the Joint Committee on the Economic Report for study. The President's report must include information on levels of employment, production, and purchasing power, a review of economic conditions affecting employment, including the economic program of the Federal government, and the President's recommendations for such legislative action as may best effectuate the statement of public policy. The President may make supplementary reports throughout the year, in addition to the specified annual report. In preparing the report, the President has the assistance of the Council of Economic Advisers, which is authorized to collect and interpret relevant information, appraise the program of the Federal government, report twice yearly with recommendations on policies and programs to the President, and make such special studies with respect to Federal economic policy and legislation as the President may request. CEA reports represent a sort of economic audit of the nation. They analyze the total national product, appraise the effects of current policies (foreign aid, taxation, price supports and controls, tariffs, and others) and outline prospective changes in the economy.

The Joint Congressional Committe is instructed to analyze and evaluate the President's report, to make continuing studies, to consider programs consistent with the stated public policy, and to file a report with the Senate and the House of Representatives not later than May 1 of each year. This report presents committee recommendations with respect to each of the proposals submitted by the President in his annual report. Extensive publicity has been given to both the President's and the Committee's reports. The monthly publication, *Economic Indicators*, is prepared by the Council of Economic Advisers for the Joint Committee.[1]

3.0 Sources of Information on Employment

Since 1946, reports of the CEA and the joint committee have publicized over-all information on current levels of employment and unemployment at six-month intervals. In addition, the CEA has studied past records and summarized them for purposes of comparison. Table 8.1 is representative of these data. It describes the total labor force, the civilian

[1] See Frank C. Pierson, "The Employment Act of 1946," *Reprint* 3, Berkeley, University of California Institute of Industrial Relations, 1949.

labor force, and employment and unemployment, by years since 1929. Figure 8.1 provides a graphic representation on a percentage basis. It pictures proportions of employment and unemployment since 1929. Data of employment and unemployment are estimates drawn from several sources. These sources and the range, as well as the limitations, of available information deserve brief attention.

TABLE 8.1. MONTHLY AVERAGES OF EMPLOYMENT AND UNEMPLOYMENT, 1929–1948[1]
(In thousands, 14 years of age and over)

Year	Total labor force	Total civilian labor force	Employed	Unemployed
1929	49,440	49,180	47,630	1,550
1930	50,080	49,820	45,480	4,340
1931	50,680	50,420	42,400	8,020
1932	51,250	51,000	38,940	12,060
1933	51,840	51,590	38,760	12,830
1934	52,490	52,230	40,890	11,340
1935	53,140	52,870	42,260	10,610
1936	53,740	53,440	44,410	9,030
1937	54,320	54,000	46,300	7,700
1938	54,950	54,610	44,220	10,390
1939	55,600	55,230	45,750	9,480
1940	56,030	55,640	47,520	8,120
1941	57,380	55,910	50,350	5,560
1942	60,230	56,410	53,750	2,660
1943	64,410	55,540	54,470	1,070
1944	65,890	54,630	53,960	670
1945	65,140	53,860	52,820	1,040
1946	60,820	57,520	55,250	2,270
1947	61,608	60,168	58,027	2,141
1948	62,748	61,442	59,378	2,064

[1] Adapted from *Midyear Economic Report of the President*, July, 1948, p. 83, and subsequent issues of *Economic Indicators*.

3.1 *Problems of Measurement.* These are data for the nation as a whole, upon which greatest dependence is placed at the present time. They are not perfect; there are many limitations that affect their value.

For example, there is always the fact of partial employment. A considerable proportion—and what is more important, a varying proportion—of those who are reported as working are employed only parts of each day or each week. For this reason, careful attention must be given to data of hours worked, as well as employment, although, as will be noted, reports on hours of work lose much of their significance because

they may report on *scheduled* or *normal* or *average* hours rather than *actual* hours or the proportion of total possible hours.

This limitation in data of employment appears more clearly in reports on weekly earnings. There, the influence of overtime and reductions in hours is more obvious. For this reason, the Council of Economic Advisers regularly includes reports on average gross weekly earnings in its summary data on numbers of employed.

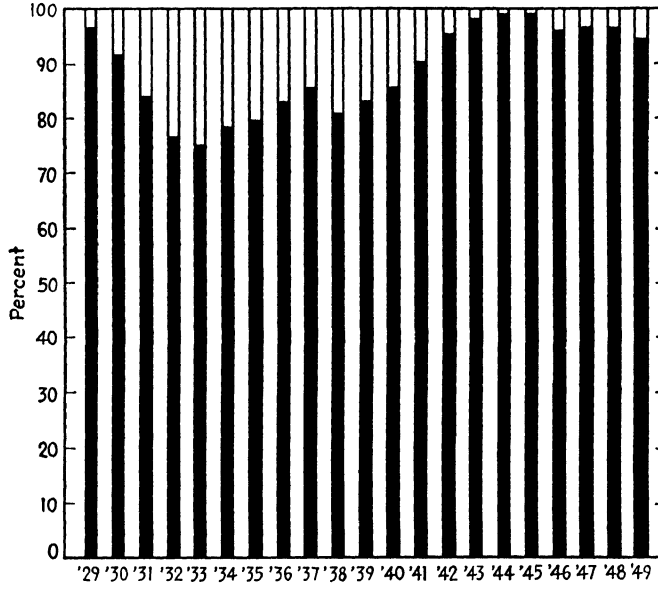

FIG. 8.1. Percentages of employed and unemployed in the civilian labor force, 1929–1948. (*Data are estimates from the Midyear Economic Report of the President, January, 1950, p. 157.*)

One of the most important limitations in much current employment data is the fact that they are aggregative rather than local. Employment generally strikes particular labor markets with much greater force than others. This condition is evident in the types of employees that are thrown out of work. Thus, for example, a study of those unemployed in the 1937–1938 minor business recession found that applicants for jobs included unusually large proportions of men, of white employees, of middle-aged persons, of craftsmen and production workers, and of those normally engaged in manufacturing. Unemployment struck less sharply at women, at colored employees, at younger and older members of the labor force, and at white-collar and service occupations.[1] In 1949,

[1] See "The Recession Unemployed," *Survey of Employment Service Information*, Washington, U.S. Department of Labor, May, 1939. See also the several reports on the Philadelphia Labor Market by Gladys Palmer; also Cleon O. Swayzee, "Eight Years of Unem-

unemployment was twice as severe in New England and in California as in the nation as a whole. There is need, therefore, for data on local labor markets as indicators of trends that may not be apparent in national averages. While, as has been noted, some of this information is now becoming available through releases by local employment offices, major attention is generally concentrated on nation-wide totals.

3.2 *Private Estimates of Unemployment.* For many years, principal reliance was placed on private agencies for over-all national summaries of employment information. The status of employment and unemployment in the United States as a whole was estimated, at irregular intervals, by various public agencies. Meanwhile, monthly reports were available from private organizations that pieced together the scattered reports from a wide variety of sources. Among those most frequently cited were the regular monthly estimates of the National Industrial Conference Board, the Alexander Hamilton Institute, and the American Federation of Labor. Later, the Congress of Industrial Organizations also released monthly estimates. Colonel Leonard P. Ayres of the Cleveland Trust Company also prepared monthly estimates for most of the years from 1929 to 1942.

These private estimates showed considerable variation and were unquestionably subject to extensive error. They sought piecemeal information from a wide range of sources and combined such data according to formulas based on analyses of the occupational and industrial composition of the nation's labor force. Much of the data upon which they depended was estimated rather than enumerated. Most of them began with assumptions as to the constant growth of the labor force, which they approximated on the basis of a linear extrapolation of the trend shown in decennial censuses.

3.3 *Public Reports.* In terms of age and priority, the public report deserving first mention is that contained in the decennial census, which began collection of data on employment and unemployment in 1880. While employment reports of several censuses have not been analyzed or published (1880, 1910) and others are not entirely comparable with those which preceded them (1920, 1940), the decennial census was for many years the principal public source of information on employment, both for the nation and for individual localities.

In addition to such enumerations as were included in the regular decennial censuses, the Bureau of the Census has secured employment data for manufacturing in a number of special enumerative censuses of manufactures. The Bureau also conducted a special census of the

ployment in Lincoln, Nebraska, 1932–1939," *Nebraska Studies in Business*, No. 45, 1939; also Lowry Nelson, "Distribution and Extent of Unemployment among Farm Laborers in the United States," *Social Forces*, Vol. 18, No. 2, December, 1939, pp. 180–187.

unemployed in 1937. Until after 1940, however, reports on employment and unemployment from the Census Bureau were available only at widely separated intervals.

3.31 *Employment service data.* Local information on employment and unemployment has been provided by the public employment offices maintained by many of the states and municipalities and by those established by the Federal government immediately after enactment of the Wagner-Peyser Act in 1933. Until the time of World War II, however, these reports were based, for the most part, on registrations for placement. When numbers of registrations showed increases, that fact was taken as evidence of increasing unemployment. Conclusions as to amounts of unemployment were drawn from these data. Such measures were necessarily inexact. For many of those who register with public (and private) employment agencies are not out of work but merely seek to find what they regard as better jobs. Moreover, some of them may register in several offices at the same time. Question is frequently raised as to the employability of many registrants. On the other hand, registrations in public offices may fail to record actual increases in unemployment, because many of those who are out of work fail to register. They may feel that there is little likelihood of securing a job through these agencies. Also, the former practice of some local offices in allowing registrations to remain in the active file for long periods of time without knowing that applicants were still seeking work made estimates based on registrations subject to serious question.[1]

During World War II, the federalized employment service, which functioned as the operating arm of the War Manpower Commission in localities throughout the nation, developed new techniques for maintaining continuing checks on employment in local labor markets. One of the major responsibilities of the Commission was the classification of labor markets throughout the nation on the basis of present and future adequacy of their labor supplies. The employment service sought to provide the data on which these "area classifications" were based. It made use of a reporting system that not only discovered current employment levels in the major firms in the area but also provided estimates of their needs 60 days and 6 months ahead.

Since the war, many of the local offices, now returned to the states, have continued these or similar reports. On the basis of the information thus accumulated, they issue regular monthly reports on supplies and demands for various types of labor. In some cases, they include reports on wages and hours of employed wage earners as well. The United States Employment Service collects and combines these reports

[1] See Dale Yoder, D. G. Paterson, *et al.*, *Local Labor Market Research*, Minneapolis, University of Minnesota Press, 1948, pp. 139–142.

to provide nation-wide summaries of local labor market conditions. The latter are sometimes released in graphic form, as illustrated in Fig. 8.2.

3.32 *Bureau of Labor Statistics reports.* Probably the most widely used government statistics on employment and unemployment until after World War II have been those provided by the Bureau of Labor Statistics. In earlier years, the Bureau made a number of reports on employment in the nation as a whole, generally upon request from the President or other public officials. While such estimates were based on information from many sources, major dependence was placed on the

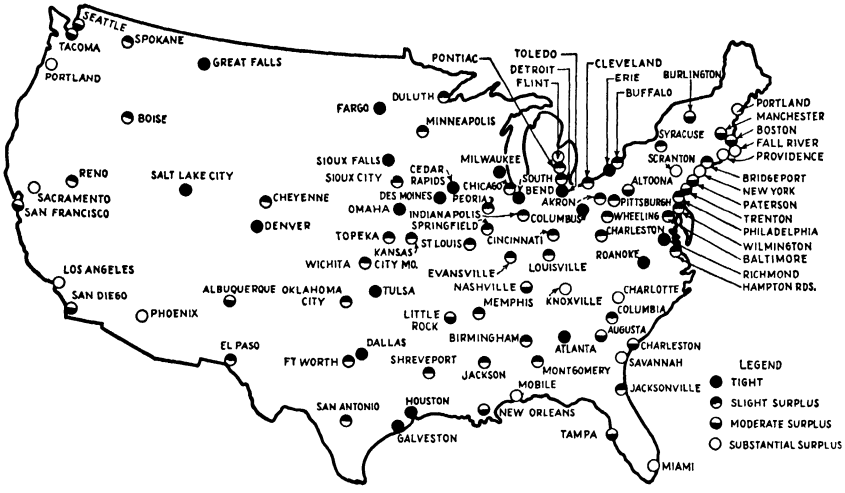

FIG. 8.2. Employment conditions in principal labor markets. (*United States Employment Service, released in Labor Information Bulletin, Vol. 15, No. 10, October, 1948, pp. 10–11.*)

Bureau's continuing series describing employment and payrolls in manufacturing industries, a series initiated in 1915. Reports have been regularly published since 1922. Data for the series are secured by means of voluntary reports from employers. These reports have been continued to the present time and are regularly released in the "Current Labor Statistics" section of the *Monthly Labor Review.* They have been expanded, in terms of the numbers and types of reporting firms, so that the Bureau provides estimates of employment in nonagricultural establishments by industry division, employment in manufacturing industries by major industry groups, employment in manufacturing by state, employment in selected nonmanufacturing industries, and civilian employment in the Federal service. Personnel and pay in the military branch of the Federal government are also reported.

Table 8.2 is representative of the form of these reports. Other tables may be examined in any issue of the *Monthly Labor Review.*

Reports on employment in mining are prepared by the Federal Bureau of Mines. They are released through the Bureau of Labor Statistics. Federal Reserve Board reports on employment represent BLS data on employment and payrolls adjusted for seasonality. The Department of Agriculture has long conducted an annual census of employment in that industry. Results are released in an annual *Yearbook.*

3.33 *Monthly report on the labor force.* At the present time, the most frequently cited statistics on employment and unemployment are those provided by the *Monthly Report on the Labor Force,* a series maintained by the Bureau of the Census. The series was first developed by the Research Division of the WPA, an agency created primarily to provide employment during the 1930 depression. The method of compilation differs sharply from earlier time-to-time reports in that it secures information directly from a sample of individuals and families throughout the nation rather than from employers. On the basis of carefully planned sampling, a national estimate of employed and unemployed is provided for each month. Publication of the series was first authorized in July, 1941. Responsibility for collection and release of these reports was later transferred to the Bureau of the Census, which has made a number of adjustments and corrections, extended the series back to 1940, and now releases monthly estimates. Basic data for each month are supplemented by special studies of employment by industry, full or part-time employment, reasons for less than full-time work, age, color, sex, and veteran status of the unemployed.

The series is so widely used that it is worth while to note the labor force concepts employed in its compilation. Employed persons, for this purpose, include (*a*) those at work—being those who did any work for pay or profit or worked without pay for 15 hours or more on a family farm or business; or (*b*) those "with a job but not at work"—being "those who did not work and were not looking for work but had a job or business from which they were temporarily absent because of vacation, illness, industrial dispute, bad weather, or layoff with definite instructions to return to work within 30 days of layoff." Also included are persons who had new jobs but had not yet started to work.

"Unemployed" in these sampling surveys include "those who did not work at all during the survey week, and who were looking for work." Also included as unemployed are persons who would have been looking for work except that (*a*) they were temporarily ill, (*b*) they expected to return to a job from which they had been laid off for an indefinite period, or (*c*) they believed no work was available in their line of work in the community.

The "civilian labor force" as defined in the MRLF includes the total of all civilians classified as employed or unemployed.

TABLE 8.2. REPRESENTATIVE BLS REPORT ON EMPLOYMENT*

A: Employment and Pay Rolls

TABLE A-1: Estimated Total Labor Force Classified by Employment Status, Hours Worked, and Sex

Labor force	Estimated number of persons 14 years of age and over[1] (in thousands)												
	1948												1947
	Dec.	Nov.	Oct.	Sept.	Aug.	July	June	May	Apr.	Mar.	Feb.	Jan.	Dec.
	Total both sexes												
Total labor force[2]	62,828	63,138	63,166	63,578	64,511	65,135	64,740	61,660	61,760	61,005	61,004	60,455	60,870
Civilian labor force	61,375	61,724	61,775	62,212	63,186	63,842	63,479	60,422	60,524	59,769	59,778	59,214	59,590
Unemployment	1,941	1,831	1,642	1,899	1,941	2,227	2,184	1,761	2,193	2,440	2,639	2,065	1,643
Employment	59,434	59,893	60,134	60,312	61,245	61,615	61,296	58,660	58,330	57,329	57,139	57,149	57,947
Nonagricultural	52,059	51,932	51,506	51,590	52,801	52,452	51,899	50,800	50,883	50,482	50,368	50,089	50,985
Worked 35 hours or more	43,425	40,036	42,451	30,372	42,305	32,404	43,240	42,726	42,179	42,576	40,977	42,242	43,144
Worked 15–34 hours	5,303	8,469	5,747	17,149	4,811	12,147	4,910	4,886	4,902	4,467	5,255	4,614	4,674
Worked 1–14 hours[3]	1,844	1,877	1,726	1,596	1,447	1,394	1,403	1,637	1,776	1,684	1,798	1,513	1,631
With a job but not at work[4]	1,488	1,549	1,583	2,472	4,239	6,508	2,348	1,550	2,027	1,753	2,338	1,721	1,534
Agricultural	7,375	7,961	8,627	8,723	8,444	9,163	9,396	7,861	7,448	6 847	6,771	7,060	6,962
Worked 35 hours or more	5,235	5,485	6,811	6,705	6,122	7,011	7,390	5,936	5,670	4,754	3,844	4,729	4,590
Worked 15–34 hours	1,680	1,997	1,455	1,636	1,669	1,767	1,669	1,513	1,336	1,397	1,759	1,765	1,631
Worked 1–14 hours[3]	265	279	223	218	249	203	182	201	187	265	386	250	320
With a job but not at work[4]	196	201	140	165	405	184	154	211	255	431	782	315	421
	Males												
Total labor force[2]	45,012	45,182	45,229	45,453	46,525	46,715	46,039	44,519	44,589	44,228	44,236	44,071	44,156
Civilian labor force	43,573	43,782	43,851	44,101	45,215	45,437	44,794	43,298	43,369	43,009	43,026	42,846	42,892
Unemployment	1,411	1,231	1,088	1,251	1,326	1,448	1,375	1,239	1,567	1,765	1,889	1,574	1,239
Employment	42,162	42,551	42,763	42,850	43 889	43,989	43,420	42,058	41,801	41,244	41,137	41,273	41,653
Nonagricultural	35,991	36,079	36,016	35,960	36,836	36,633	36,162	35,386	35,352	35,063	35,046	35,018	35,484
Worked 35 hours or more	31,469	29,442	31,081	23,115	31,226	24,344	31,700	31,006	30,575	30,649	29,592	30,719	31,147
Worked 15–34 hours	2,678	4,719	3,092	10,577	2,599	7,766	2,535	2,565	2,525	2,390	2,800	2,414	2,411
Worked 1–14 hours[3]	763	808	711	646	563	563	597	709	787	729	899	610	738
With a job but not at work[4]	1,082	1,110	1,132	1,622	2,448	3,962	1,332	1,105	1,465	1,294	1,755	1,275	1,187
Agricultural	6,171	6,472	6,747	6,890	7,053	7,356	7,257	6,673	6,450	6,181	6,091	6,254	6,169
Worked 35 hours or more	5,813	5,007	5,772	5,858	5,663	6,152	6,310	5,252	5,321	4,548	3,698	4,505	4,376
Worked 15–34 hours	1,046	1,120	738	743	882	903	707	862	816	1,035	1,375	1,255	1,177
Worked 1–14 hours[3]	143	163	124	138	179	145	111	136	124	211	330	202	252
With a job but not at work[4]	170	182	114	151	330	157	129	150	189	387	688	292	364

Labor force	Estimated number of persons 14 years of age and over[1] (in thousands)												
	1948												1947
	Dec	Nov.	Oct.	Sept.	Aug.	July	June	May	Apr.	Mar.	Feb.	Jan.	Dec.
	Females												
Total labor force[2]	17,816	17,956	17,937	18,125	17,986	18,420	18,701	17,141	17,171	16,777	16,768	16,384	16,714
Civilian labor force	17,802	17,942	17,824	18,111	17,971	18,405	18,685	17,124	17,155	16,760	16,752	16,368	16,698
Unemployment	530	600	554	648	615	779	809	522	626	675	750	491	404
Employment	17,272	17,342	17,371	17,462	17,356	17,626	17,876	16,602	16,529	16,085	16,002	15,876	16,294
Nonagricultural	16,068	15,853	15,490	15,630	15,965	15,819	15,737	15,414	15,531	15,419	15,322	15,071	15,501
Worked 35 hours or more	11,956	10,594	11,370	7,257	11,079	8,060	11,540	11,720	11,604	11,927	11,385	11,523	11,997
Worked 15–34 hours	2,625	3,750	2,055	6,572	2,212	4,381	2,375	2,321	2,377	2,077	2,455	2,200	2,263
Worked 1–14 hours[3]	1,081	1,069	1,015	950	884	831	806	928	989	955	899	903	893
With a job but not at work[4]	406	439	451	950	1,791	2,546	1,016	445	562	459	583	446	347
Agricultural	1,204	1,489	1,880	1,833	1,391	1,807	2,139	1,888	998	666	680	806	793
Worked 35 hours or more	422	478	1,039	847	459	859	1,080	411	349	206	146	224	214
Worked 15–34 hours	634	877	717	893	787	864	962	651	520	362	384	510	454
Worked 1–14 hours[3]	122	116	99	80	70	58	71	65	63	54	56	48	68
With a job but not at work[4]	26	19	26	14	75	27	26	61	66	44	94	23	57

[1] Estimates are subject to sampling variation which may be large in cases where the quantities shown are relatively small. Therefore, the smaller estimates should be used with caution. All data exclude persons in institutions. Because of rounding, the individual figures do not necessarily add to group totals.
[2] Total labor force consists of the civilian labor force and the armed forces.
[3] Excludes persons engaged only in incidental unpaid family work (less than 15 hours); these persons are classified as not in the labor force.
[4] Includes persons who had a job or business, but who did not work during the census week because of illness, bad weather, vacation, labor dispute, or because of temporary layoff with definite instructions to return to work within 30 days of layoff. Does not include unpaid family workers.
Source: U.S. Department of Commerce, Bureau of the Census.
* *Monthly Labor Review* Vol., 68, No. 2, February, 1949, p. 223.

NOTE.—Explanatory notes outlining briefly the concepts, methodology, size of the reporting sample, and sources used in preparing data presented in tables A-2 through A-15 are contained in the Bureau's monthly mimeographed release, "Employment and Pay Rolls—Detailed Report," which is available upon request.

MRLF reports are released directly by the Bureau of the Census in regular bulletins on the labor force and are also included in the statistical sections of the *Monthly Labor Review* and in the *Survey of Current Business.*[1]

3.34 *Unemployment compensation reports.* Another indicator of the importance of unemployment is available from those responsible for

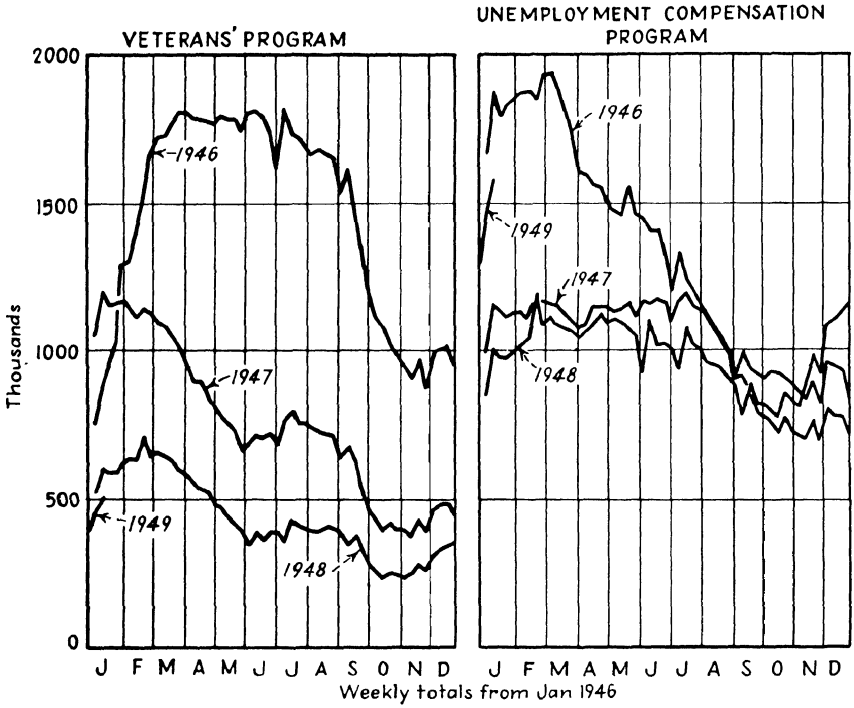

FIG. 8.3. Continued claims for unemployment benefits. (*BLS Chart Series. Data from the Veteran's Administration and the Federal Security Agency.*)

administration of the nation-wide unemployment compensation program, which reflects the experience of 75 to 80 per cent of the labor force. Until after World War II, reports from state agencies were so delayed that they had little significance in describing current problems. They followed analysis of quarterly reports from employers and served principally as checks on the current estimates of the Census Bureau and the Bureau of Labor Statistics.

Since the war, however, these agencies have reported on claims filed and continued each month. Such reports are timely and valuable, for

[1] For details of the method of compilation, range of error, and summary tables, see "Labor Force, Employment, and Unemployment in the United States, 1940 to 1946," *Current Population Reports*, Series P-50, No. 2.

they indicate numbers of those eligible for compensation who become claimants as well as those whose claims are continued into each month. Figure 8.3 outlines the volume of continued claims in several recent years. Data for veterans are provided by the Veteran's Administration; those for regular unemployment compensation are released by the Federal Security Agency.

3.4 *Need for Timely Information.* Labor market information that is up to date and reliable is essential in any public program designed to reduce the amplitude of fluctuations in employment and to maintain job opportunities at high levels. Neither public agencies nor private firms can fit their employment policies to job market requirements in the absence of accurate information as to the nature of those requirements. Important steps in the direction of providing essential information of this kind have been taken in recent years. The development of the MRLF reports provides national summaries that are useful in gauging over-all policy. Employment service estimates and reports on unemployment claims provide some local labor market data to supplement national, aggregative figures. Local BLS indexes of employment and payrolls are available in major metropolitan centers. While all these sources might improve the usefulness of their reports by providing greater detail of occupational and industrial distributions and data on wages and hours —comparable to the price reports provided by commodity markets —present reports represent a vast improvement over those available a decade back.

3.5 *Canadian Reporting.* Canadian data on employment and unemployment are available from the Dominion Bureau of Statistics. Data released each month in the *Labour Gazette* include series describing employment and earnings by province, major cities, and industry; employment by sexes; size of the labor force; numbers unemployed; an index of employment; and percentage unemployment in trade unions. Table 8.3 summarizes numbers employed and unemployed since 1921. Proportions unemployed reached highest levels in 1933. In general, the pattern closely follows that of the United States.[1]

3.6 *Statistics for Other Nations.* Great Britain and most of the industrialized nations of Europe have long maintained fairly detailed accounting of employment and unemployment, largely because of the well-established unemployment insurance programs operating in these

[1] See, in this connection, E. M. Cassidy and others, *Canada's Unemployment Problem*, Toronto, The Macmillan Company, 1939. A report of Canadian experience in the 1930's indicates that percentages of wage earners unemployed ranged from 5.32 per cent in 1929 to 30.19 per cent in 1933. Thereafter, proportions of unemployed declined to 17.07 per cent in 1937, 16.3 per cent in 1938, 18.21 per cent in 1939, and 14.02 per cent in 1940. See "Decline in Unemployment in Canada," *Monthly Labor Review*, Vol. 51, No. 4, October, 1940, p. 877.

TABLE 8.3. ESTIMATED EMPLOYED AND UNEMPLOYED WAGE EARNERS IN CANADA, 1921–1948[1]

Year	Total labor force, thousands	Employed	Unemployed		Per cent of unemployed
		Index, 1926 = 100	Number, thousands	Index 1926 = 100	
1921	1,971	87.9	176	177.8	8.9
1922	1,967	89.6	138	139 4	7 0
1923	2,059	95.9	101	102.0	4 9
1924	2,042	92 9	145	146.5	7.1
1925	2,063	94.0	144	145.5	7.0
1926	2,140	100 0	99	100 0	4.6
1927	2,209	105.1	62	62 6	2.8
1928	2,359	112.6	60	60 1	2 5
1929	2,551	119 7	107	108 1	4 2
1930	2,654	113 3	341	344 5	12.8
1931	2,537	102 6	442	446.5	17.4
1932	2,459	89 1	639	645 5	26 0
1933	2,434	87 6	646	652 6	26 5
1934	2,574	100 1	529	534 4	20.6
1935	2,626	104 1	500	505 1	19.1
1936	2,671	109 0	447	451 6	16 7
1937	2,706	116 1	337	340.4	12.5
1938 (11 mo.)	2,704	113 8	407	405 1	15.1
1939	.....	116.0	386	390 0	14 1
1940	.....	126 0	282	285 0	10 1
1941	.....	155 0	370	374.0	8 0
1942	.....	177 0	238	241.0	5 3
1943	.....	188 0	99	100.0	2 2
1944	.....	186 0	82	82.8	1.8
1945	.....	178 0	172		3.8
1946	4,848	231.0	115	116 0	2 4
1947	4,934	237 0	87	88.0	1.8
1948	4,964	237 0	106	107 0	2.1

[1] From "Unemployment in Canada, 1921 to 1938," *Monthly Labor Review*, Vol. 48, No. 3, March, 1939, p. 554; subsequent reports in the Canadian *Labour Gazette* (method of calculation changed 1938, 1940, and 1945). Indexes of numbers employed, numbers unemployed, and per cent unemployment after 1939–1945 from *International Labour Review*, Vol. 59, No. 1, January, 1949, pp. 106–108.

jurisdictions. While summaries and comparisons of reports in these nations are not always accurate, because of differences in definitions of the concepts, the most convenient international reports of current employment conditions are those regularly included in the *International Labour Review*. The *Review* reports simple indexes of general and of "industrial" employment for all major industrialized nations. Annual summaries are also reported in the *ILO Yearbook*. The *Monthly Bulletin of Statistics*, published by the statistical office of the United Nations, also releases monthly reports on employment and unemployment in major nations.

4.0 Causes of Instability in Employment

The reality of fluctuations in employment is readily evident. Data summarized in CEA reports, shown in Table 8.1, clearly evidence year-to-year variation in the relatively short period for which these figures are available. All other compilations, both in this country and abroad, indicate the same tendency to variation. In addition, there are, as has been noted, extensive seasonal fluctuations within each year.

Various estimates have sought to indicate the range of year-to-year variation. Early American Federation of Labor estimates for the years from 1920 to 1931 indicate proportions unemployed by years ranging from a low of 5.1 per cent of those available for work in 1920 to a high of 18.4 per cent in 1931. National Industrial Conference Board calculations show a range from 1.0 per cent in 1929 to 25.1 per cent in 1933. The Committee on Economic Security, which was charged with research underlying the Federal Social Security Act, calculated that the least unemployment among those likely to be covered by unemployment insurance in the years from 1922 to 1933 was 6.1 per cent in 1929, while the highest was 39.2 per cent in 1933. Data released by the Council of Economic Advisers, for the years from 1929 to date, indicate that in the best year, 1944, approximately 1 per cent of the labor force was unemployed, while in the year of highest unemployment, 1933, about 25 per cent of all labor force members were unemployed. These figures represent monthly averages for each year. They take no account of fluctuations in employment introduced by shortening of work periods and increases in part-time employment.

What are the sources of these fluctuations? Why must economies contract and expand, in terms of the numbers employed from time to time? These questions are important for a nation that seeks to achieve and maintain "full" or even "high level" employment.

4.1 *Seasonal Unemployment.* Probably the most important single cause of unemployment is seasonal fluctuations in business. Employ-

ment fluctuates widely on this account in all nations, although seasonal patterns are not uniform. The amplitude of such expansions and contractions varies also. In nations that extend through a wide range of climates, there is something of a balancing effect, while those which are located within a narrower area tend to show sharper seasonal patterns. For the industrial nations of the Northern Hemisphere, greatest employment is provided in summer months, and lower levels prevail in winter, as is clearly indicated by the indexes calculated by the International Labor Organization. Unemployment shows lesser fluctuations, so far as numbers are concerned, than employment, because there is some adjustment in the labor force that parallels changing demands for manpower. Thus, in the United States, a considerable number of those who are available for employment in summer months return to school in the fall, while others enter the labor force only for the summer months and voluntarily retire from it during the winter. For industrial nations of the Northern Hemisphere, the month of January shows highest unemployment, while June and September are about equal in showing lowest levels.

4.11 *Industry differences.* Numerous studies have sought to appraise the extent of seasonal losses in employment in different industries and localities. Douglas and Director[1] conclude their comparison of seasonal fluctuations in employment in various industries with the statement that "the largest percentage variations are found in the fertilizer industry, millinery, ice cream, confectionery, and women's clothing, where numbers employed in the busiest months exceeded numbers employed in the slack months by 137 per cent, 65 per cent, 47 per cent, 38 per cent, and 35 per cent respectively."

Several industries not included in these calculations are subject to extensive seasonal fluctuations, including construction, which has been found to vary 79 per cent in its employment from February to September, and coal mining, where production is approximately 40 per cent higher in November than in April, the low month.

There appears to be a notable distinction, as far as susceptibility to seasonal unemployment is concerned, between industries producing consumers' goods and those in which capital goods are produced. Consumers'-goods industries show comparatively high seasonal fluctuations. Employment in capital-goods industries remains fairly steady throughout the seasons, although it is much more subject to cyclical fluctuations. Similarly, employment in retail trade shows a much greater seasonal fluctuation than that in wholesale trade. At the same time, employment

[1] Paul H. Douglas and Aaron Director, *The Problem of Unemployment*, New York, The Macmillan Company, 1931, pp. 73–84.

in non-durable-goods industries shows lesser cyclical fluctuations than that in durable-goods industries.

Some investigators have concluded, mainly on the basis of observations of wages in the construction industry, that wage rates tend to compensate for unemployment when the pattern of such irregularity is clear and fairly consistent. They have argued that one reason why wage rates of building craftsmen are comparatively high is the fact that these employees normally experience extensive periods of unemployment each year. But more careful consideration of the industries that are most seriously affected by seasonal unemployment clearly indicates that they are not high-wage-rate industries. Agricultural workers provide one excellent example. Wage earners in consumption-goods industries as a whole illustrate the same situation.[1]

4.12 *Causes of seasonal fluctuations.* As is implied in the description of *seasonal* fluctuations, the major cause of these variations is change in the seasons, the fact that climate varies from one season to another. These changing climatic conditions are fundamental to seasonal fluctuations in employment. Some seasonality arises out of seasonal fluctuations in supplies of goods and materials. This is true in fruit and grain harvesting. Corn huskers are not in demand, for instance, during spring and summer months. Fruit picking can take place only at the time fruit ripens. Other seasonality reflects varying demands for goods and services. Most coal is sold during the winter, just as ice sells best in summer. Radios and automobiles, books and games, sporting goods and clothing, and numerous other products experience definite seasonal increases and decreases in demand, many of which are closely and directly related to changes in temperature.

On the other hand, these basic changes have been supplemented by many customs that influence employment. There is a large class of goods for which the demand varies according to season because of widely observed customary practices attached to the seasons. Christmas creates a demand for novelties, cards, stickers, decorations, and numerous luxury goods. Easter is the date when new fashions in clothing are displayed; the Fourth of July demands its noise-making devices; and June is the month for brides and weddings.

Seasonal fluctuations in employment and unemployment are thus the product of fairly complex factors. To a considerable extent, they reflect the inevitable climatic changes associated with the changing seasons, although the inevitability of climatic change may not necessarily make unemployment equally inevitable. While cherries can only be picked

[1] See, in this connection, A. H. Hansen and P. A. Samuelson, "Economic Analysis of Guaranteed Wages," *Bulletin* 907, Bureau of Labor Statistics, 1947, p. 12.

when the crop is ready, furnaces and sleds may be built on a year-round basis, as will be noted. In addition, however, custom and habit have come to supplement the seasonal shifts. Any attack on seasonal unemployment must take account of these types of causation.[1]

4.2 *Cyclical Fluctuations.* Although seasonal fluctuations in employment probably occasion the largest total amount of unemployment over the years, cyclical fluctuations are the most impressive. Cyclical unemployment probably occasions greatest public concern. For cyclical unemployment, when it strikes, is more far-reaching and drastic. It is generally of longer duration. It thus destroys reserves accumulated by employees and occasions such serious economic and social disorganization as to constitute a major peril to the economy as a whole. "Depression unemployment" has been called the greatest problem of free economies.

Cyclical fluctuations in business activity are of varying length and intensity. Over a many-year period, the most frequent length of such cycles appears to be about four years. These are the "short," so-called "forty-month" cycles. In addition, students of cycles find evidence of "long" cycles of approximately fifty-year duration (sometimes called Kondratieff cycles) and intermediate cycles of approximately ten years' duration.

Popular interest in these cyclical fluctuations in business activity and in the unemployment that accompanies them was greatly increased as a result of what has frequently been described as the "great depression" of the early 1930's. Interest and concern have been heightened also by widespread discussion of a theory of "secular stagnation," which held that the 1930 depression was no ordinary or typical business recession but the symbol of the end of an era of growth and expansion. Advocates of this thesis held that a combination of forces—of which the most important are the declining supplies of natural resources and improbability of discovering new resources in foreign lands, the fall in the birth rate and the rate of natural increase, and a reduction in the rate of technological change—tends to decrease the opportunity for profitable investment. At the same time, higher living scales permit increased savings and thus make larger amounts available for investment. The result, it is held, is an inevitable accumulation of idle funds, which, in itself, is deflationary and a strong force tending toward business recession.

This position lost support during the years of high-level production and

[1] See, for discussions of seasonal unemployment, Harry Schwartz, *Seasonal Farm Labor in the United States*, New York, Columbia University Press, 1945; W. S. Woytinsky, *Seasonal Variations in Employment in the United States*, Washington, Social Science Research Council, 1939; Viva Boothe and Sam Arnold, *Seasonality of Employment in Ohio*, Columbus, Ohio State University Bureau of Business Research, 1944; California Employment Stabilization Commission, "Seasonal Workers in California," *Bulletin* 21, California Department of Employment, Research and Statistics, 1947.

employment following World War II. It may be well, however, not to overlook the possibility that modern living scales do create a setting in which recessions may be accentuated. They prescribe more luxuries and fewer necessities. They provide more durable possessions. Lesser proportions of larger family budgets are expended for food, clothing, and shelter. As a result, reductions in periods of unemployment can be proportionately sharper. The amplitude of cycles may thereby be enhanced.[1]

4.21 *Incidence of cyclical unemployment.* The volume of unemployment that accompanies recession and depression phases of the cycle may be slight or great, according to the amplitude of the cyclical swing. In other words, there are major and minor cycles. Some are short and mild, others short but severe, still others long and severe. Few cycles are long and mild. Short, slight recessions may not exert a serious effect on employment. But major downturns occasion spectacular declines in job opportunities. A few studies have sought to measure the impact of the long depression of the 1930's, the most serious in this country since the turn of the century. The Employment Stabilization Research Institute of the University of Minnesota, for example, studied the decline in employment in three major cities. The average decline in the two-year period from prosperity in 1929 to depression in 1931 amounted to 21.4 per cent. An earlier study by King sought to measure the decline for the nation as a whole in the recession from 1920 to 1922, a relatively minor depression. He found that, for all industries, employment declined by 14 per cent in this period.[2]

All such studies have found distinctive differences in the degree to which various industries are affected by cyclical shifts. Seasonal fluctuations generally influence employment in consumption-goods industries more than in producers' goods; they are notable in retail trade, especially. Cyclical reductions, on the other hand, strike with particular force in capital-goods industries. Machine-tool producers, for example, may be practically closed down as their customers trim their sails and batten down the hatches for the anticipated recession. Indeed, a large portion of the unemployment in recession periods is attributable directly to cycles in the development of production goods.

In the study made by the President's Committee on Recent Economic

[1] See G. Terborgh, *The Bogey of Economic Maturity*, Chicago, Machine and Allied Products Institute, 1945; J. M. Clark, *Alternative to Serfdom*, New York, Alfred A Knopf, Inc., 1948.

[2] See A. H. Hansen, Dreng Bjornaraa, and T. M. Sogge, *The Decline of Employment in the 1930–31 Depression in St. Paul, Minneapolis, and Duluth*, Minneapolis, Minnesota Employment Stabilization Institute, Vol. 1, No. 5, June, 1932, p. 24; also W. I. King *et al.*, *Recent Economic Changes*, New York, McGraw-Hill Book Company, Inc., 1929, Vol. 2, pp. 475–478.

Changes, while industry as a whole was characterized by the reduction of 14.06 per cent in employment from 1920 to 1922, metal and metal products manufacturing showed a 42.85 per cent decline. In steam railways, employment fell 22.27 per cent. Building and construction were off 18.83 per cent. But employment in retail establishments declined only 2.78 per cent. The Minnesota study of the 1929–1931 period found a decline in employment of 38.9 per cent in lumber and lumber products manufacturing, of 30.9 per cent in metal and metal products, and of 30.6 per cent in mineral products. Meanwhile, the same study reported only 11.5 per cent reduction in finance, 8.5 per cent in the manufacture of food, drink, and tobacco products, and 23.2 per cent in retail employment as a whole.

Just as industries are differently affected by cyclical fluctuations, so types of labor vary in the amount of cyclical unemployment they experience. In minor recessions, fluctuations in employment are greater for common labor than for skilled labor. Management is much more willing to release unskilled workers. In a major recession, it is likely that this differential disappears, however, so that there may be no marked differences in proportions forced into unemployment.[1] Givens, in a study of the impact of the 1929–1932 depression, found that employment in industries furnishing nondurable products showed comparatively slight reductions. In durable-goods industries—iron and steel, machinery, nonferrous metals, cement, and other building materials—declines in employment were several times greater.[2]

4.3 *Cultural Unemployment.* A considerable volume of unemployment is occasioned at all times by changes in the customs current in various groups, quite apart from modifications in production processes. Changes in fashion, in services furnished by certain institutions, in traditional modes of living, in conventions, and in living standards are of this nature. No statistical measure of these effects is available, but illustrations may help to make the nature of their influence upon employment more understandable.

Effects exerted by changes of fashion upon employment are evident. Substitution of silk and rayon materials for cotton goods, use of motorcars instead of horse-drawn carriages, of closed cars rather than open models, and countless similar changes in historic American experience have had far-reaching effects both in expanding employment in industries supplying the newly desired commodities and services and in reducing

[1] See E. D. Domar, "Expansion and Employment," *American Economic Review*, Vol. 37, No. 1, March, 1947, pp. 34–55; L. A. Metzler, "Business Cycles and the Modern Theory of Employment," *ibid.*, Vol. 36, No. 3, June, 1946, pp. 278–291; Leo Wolman, "The Great Swing in Employment," *Management Record*, Vol. 8, No. 10, October, 1946, pp. 317–318.

[2] Meredith B. Givens, "Employment during the Depression," *Research Bulletin* 47, National Bureau of Economic Research, 1933.

employment in industries providing those which have gone into disuse. The increased patronage bestowed upon theaters and the decreased support of lodges, the growing demand for higher education, the expanding functions required of modern governments, the greater use of beauty parlors, hotels, apartment houses, and telephones and radios—all have exerted unmistakable influences upon employment. All these changes are increased in a free society that permits consumers to exercise a wide range of choice. For that reason, totalitarian or strictly regulated economies are likely to experience lesser fluctuations.

4.4 *Technological Changes and Unemployment.* One of the important continuing sources of unemployment is technological change—modification in the manner or technology of production. This is the "substitution of machines for men" that reappears as a subject of widespread public concern and discussion at irregular intervals—generally during depression. As processes are simplified, automatic machines may be developed to take them over. "Push-button" methods of production follow, and those who were employed at hand or machine-tending operations find that their jobs have disappeared. Of course, this is only half the story. It is apparent that many such simplifications and technological changes have greatly reduced costs of production, contributed to broad reductions in the prices of products, and thus greatly expanded the market for the items and for manpower used in production.

Such technological change is itself a complex rather than a simple phenomenon. To some extent, it may involve simply the expansion of the capital-manpower ratio. Mass production may represent largely the effect of the investment of great quantities of capital. Generally, however, this change is accompanied by inventions and innovations in productive techniques and methods and, at the same time, economies and increased efficiency in the use of power. Whatever the particular circumstances, technical coefficients—the ratios of manpower to machines—undergo changes which directly affect employment. These technical coefficients set the pattern for employment; they determine the efficient combinations of men and machines. They are directly related to labor productivity and labor costs and thus causal factors in the creation and maintenance of jobs—demands for labor.

4.41 *Changing power and capital.* The number of horsepower which each employee has at his command has increased greatly in the last half century, as noted in Chap. 7. This result reflects the influence of improved boilers and steam turbines, harnessing of additional water power, perfection of the internal-combustion engine, and other related developments. It has been estimated that, in 1849, human power represented 72 per cent of all the power used in industry. In 1929, it

accounted for only 48 per cent. In 1869, the average employee in manufacturing industries worked with some 1.14 horsepower. In 1899, the ratio was 2.11 horsepower to each employee. In 1939, it had become 6.5 to 1. Since 1929, the development has continued to increase, and the ratio is presently in excess of 8 to 1.

Numerous studies have provided ample evidence of the rapid increase in power supplies. The average increase in total horsepower used by an extensive group of industries studied by Professor Leo Wolman amounted to 256 per cent in the period 1899–1925, as compared with an increase in the number of wage earners in the same industries amounting to only 80 per cent.[1]

At the same time, the capital-manpower ratio has continued to grow, as has been noted in Chap. 7. An interesting example of the way in which increasing capital multiplies the power of labor in productive processes is provided by the following report of remarks by Mr. William J. Cameron of the Ford Motor Company:[2]

> At Dearborn we are working on an exhibit for the New York World's Fair next year to visualize this ancient controversy between handwork and machine work as to their effect on employment. A very simple object has been chosen for the illustration—the inner shell of the hubcap of a Ford car.
>
> This article, made by machinery, costs 12-and-a-fraction cents. But the dies to shape it cost $13,328.00 and the automatic press to stamp it costs $30,700.00—a machine costing $44,098.00 to make a 12¢ article. That is merely the cost of the press; it does not include the cost of factory space to house it, of generating the power to operate it, or expert service and replacements to maintain it.
>
> To pound out that inner shell by hand would cost only $24.00 for tools. So, in the Ford exhibit, an expert handworker will be installed, and a press will be installed beside him that will turn out 2160 of these shells in the time it takes him to make one. The machine method and the hand method will thus appear in dramatic contrast. Those who view the exhibit will naturally think of the effect of machinery on employment. And that is the intention. What is the answer?

4.42 *Increased efficiency.* At the same time that capital and power available to multiply the efforts of manpower have been increased, improved techniques have expanded the efficiency with which these facilities are used. Improvements in planning and routing within plants and among them have resulted in economies in power and in human effort. Steam plants extract more kilowatts of electricity from each ton of coal; trains run faster and further; men tend more machines.

[1] Reported in *Recent Economic Changes*, New York, McGraw-Hill Book Company, Inc., 1929, pp. 53–54.

[2] Quoted from "Machinery Creates Employment," by William J. Cameron, No. 23 of the 1937–1938 series, broadcast Feb. 13, 1938, by permission.

Aggregate measures of employee productivity clearly evidence the significance of these changes. Although there is no simple and universal measure of productivity (and the development of a satisfactory measure represents one of the most challenging problems facing students of these problems), measures that are available, crude as they are, show how productivity has improved. An index of over-all man-hour productivity in manufacturing summarizes available facts since 1899 as shown in Table 8.4.[1] As has been noted, the long-term trend indicates an average annual increase in productivity of about 3 per cent.

TABLE 8.4. CHANGING PRODUCTIVITY IN AMERICAN MANUFACTURING INDUSTRY[1]

Year	*Index Manufacturing Industries, 1899 = 100*	*Year*	*Index Manufacturing Industries, 1899 = 100*
1899	100	1929	234
1903	104	1930	234
1907	118		
1909	118	1931	252
		1932	245
1914	134	1933	258
1919	134	1934	264
1923	178	1935	282
1924	188		
1925	201	1936	288
		1937	288
1926	204	1938	284
1927	215	1939	311
1928	230		

[1] Data from Solomon Fabricant, "Labor Savings in American Industry, 1899–1939," *Occasional Paper* No 23, National Bureau of Economic Research, November, 1945; Bureau of Labor Statistics, "Wages, Hours and Productivity of Industrial Labor, 1909 to 1939, Serial No. R 1150; Bureau of Labor Statistics, "Productivity and Unit Labor Cost in Selected Manufacturing Industries, 1939–1945" (mimeographed), May, 1946; Bureau of Labor Statistics Release, "Output Per Man-hour Trends for 1947 Begin Upward Climb, etc," Sept. 3, 1948. Series linked by overlapping 1909, 1914, 1919, 1923, and 1924.

4.43 *Changed job opportunities.* There is no question but that these changing conditions exert powerful influences in job markets. They completely eliminate some jobs, and they reduce numbers employed in others. When one man with a semiautomatic machine turns out ten to twenty times as many cigars as he could produce by hand, the "hand-made" cigar maker is not likely to find many job opportunities. Simi-

[1] See Solomon Fabricant, *The Output of Manufacturing Industries, 1899–1937*, New York, National Bureau of Economic Research, 1940; Spurgeon Bell, "Productivity, Wages and National Income," Washington, The Brookings Institution, 1940; Mordecai Ezekiel, "Productivity, Wage Rates, and Employment," *American Economic Review*, Vol. 30, No. 3, September, 1940, pp. 507–522.

larly, the hand brick maker became obsolete when brick-making machines increased the output per man-hour from 50 to almost 5,000. When automatic bottle-blowing machines made it possible for one operator to produce forty times as many bottles as a skilled glass blower, job opportunities for the latter rapidly disappeared. These are, of course, spectacular changes. But there are many others like them in pig-iron casting, in slaughtering and meat packing, in automobile and tire manufacturing, and elsewhere throughout industry. In canning, soldering cans gave way to crimping; solderers were eliminated. In telegraphing, automatic typing machines have taken the place of skilled telegraphers.

Improved efficiency—representing the combined effects of greater capital investment and developments in processing and technology—has increased output per man-hour. Looked at from another angle, these changes have reduced labor or manpower requirements per unit of output. As a result, fewer man-hours are required for the same level of production. Moreover, the nature of the manpower contribution is frequently changed; technological progress appears to introduce a leveling process, so far as skills are concerned. Less highly skilled manpower, together with less unskilled manpower, are required for the mechanized jobs that appear with these technological modifications. The trends in such situations appears to be toward machine tending—the semiskilled operative type of occupation.[1]

4.44 *Temporary or permanent displacement.* For many years, argument has been heated with respect to the long-term effects of technological change. Does technological change tend to destroy more and more jobs, so that we are in danger of widespread unemployment occasioned by a "push-button" world? Are the effects of technological change cumulative in that automatic devices adapted to one machine or process spread to others? Is manpower tending to be displaced by machines and added sources of power?

These questions are not merely philosophical exercises. Individuals and groups have raised them and proposed courses of social action based on affirmative answers to them. Thus, if increased capital per employee is a basic cause of disastrous developments, perhaps steps should be taken to restrict the investment of new capital or the replacement of worn-out

[1] See, in this connection, H. Jerome, *Mechanization in Industry*, New York, National Bureau of Economic Research, 1934, pp. 400*ff*; "Industrial Change and Employment Opportunity," *Report* G-5, Philadelphia, Works Progress Administration, July, 1939; "Technological Changes and Opportunities for Employment in Iron Mining," *Monthly Labor Review*, Vol. 51, No. 4, October, 1940, pp. 883–886; Edna Lonigan, "Technological Conditions and Employment of Labor," *American Economic Review*, Vol. 29, No. 2, June, 1939, pp. 246–259; H. D. Anderson and P. E. Davidson, *Occupational Trends in the United States*, Palo Alto, Stanford University Press, 1940; Philip Murray, "Technological Unemployment," *Publication* 8, Pittsburgh, Steel Workers Organizing Committee, 1940.

facilities. If inventions are a major cause of widespread unemployment, why not restrict the introduction of newly invented devices, or ration them, so many per decade? If more power contributes to catastrophe, why not restrict the development or introduction of new power resources? If changes in planning or routing are throwing men out of work, why not, by law or collective agreement, prohibit or restrict such changes?[1]

Such questions are at least as old as the factory system. It is reported, for instance, that in 1767, wage earners destroyed an early model of Hargreaves' spinning jenny on the ground that it seriously threatened their employment. Similarly, the early nineteenth century movement known as the Luddites organized night raids to burn and destroy machinery believed to be creating a serious hazard to future employment. Individuals, organizations of employees, and political movements have from time to time demanded restrictions on technological changes to protect and maintain employment. There is an extensive literature in the economic journals as well as more popular publications dealing with effects of technological changes on job opportunities. They have appeared most frequently in periods of depression and widespread unemployment.[2]

Economists have generally questioned the assumption that the long-term effect of technological change is to reduce employment opportunities. They have insisted that increased productivity tends to create an equal increase in the demand for the products of industry which, in turn, provides additional employment. Arguments along this line are generally traced back to the French economist J. B. Say.

Actually, many inventions and their technological counterparts may

[1] See, in this connection, transcript of testimony of Dr. Theodore J. Kreps before the Temporary National Economic Committee, Washington, Bureau of National Affairs, Inc., 1940.

[2] Numerous studies of the displacement of manpower by printer telegraphy, automatic grade-crossing signals, dial telephones, automatic mining machinery, and other similar changes will be found in the *Monthly Labor Review*. See, for instance, "Technological Changes and National Policy," Vol. 45, No. 3, September, 1937, pp. 615*ff*.; W. D. Evans, "Effects of Mechanization in Cigar Manufacture," Vol. 46, No. 5, May, 1938, pp. 1100–1120. See also Boris Stern, "Technological Advance as a Factor in Unemployment," *Journal of the American Statistical Association*, Supplement, Vol. 27, 177*a*, March, 1932, pp. 73–75; Isador Lubin, *The Absorption of the Unemployed by American Industry*, Washington, The Brookings Institution, 1929; R. J. Meyers, "Occupational Readjustment of Displaced Skilled Workmen," *Journal of Political Economy*, Vol. 37, No. 4, August, 1929, pp. 473–489; "Occupational Experience of 100 Unemployed Persons in Bloomington, Ind.," *Monthly Labor Review*, Vol. 33, No. 4, October, 1931, pp. 51–53; W. V. Owen, "Unemployment in Lafayette, Ind.," *Industrial Relations*, Vol. 3, No. 4, April, 1932, p. 195. See also S. McKee Rosen and Laura F. Rosen, *Technology and Society*, New York, The Macmillan Company, 1941; Hans P. Neisser, "Permanent Technological Unemployment," *American Economic Review*, Vol. 32, No. 1, March, 1942, pp. 50–71.

better be described as job-creating than as job-destroying. Thus, while mechanical typesetters, electric motors, steam shovels, tractors, and all automatic machines appear superficially to be laborsaving, the typewriter, the radio, camera, soda fountain, telephone, automobile, and airplane all appear clearly as labormaking inventions or developments. A classification of inventions by Gilfellow distinguishes inventions that save labor from others that save capital or land. Some, such as multiplex telegraphy, save capital. Others, like skyscrapers or improvements in agriculture, save land. Still others develop new types of consumption goods, as did the phonograph and the radio. Gilfellow found that of the 120 most important inventions of the last generation, only 33 were laborsaving.[1]

Such evidence as is presently available indicates several conditions affecting an individual industry that appear to influence its ability to absorb those displaced by technological change. Perhaps most significant is the elasticity of demand for its products. If price reductions tend to increase consumption, the problem of reemployment may be self-solving, for economies effected in the change may encourage much wider distribution and consumption and thus permit the maintenance or expansion of existing levels of employment.

Similarly significant is the pricing policy of the individual employer or industry. If prices are reduced as economies in the use of manpower permit, consumption may be increased and employment may be maintained. If pricing policy seeks to retain the benefit of all such economies, employment may be adversely affected. Schumpeter has noted evidence that industries that have been slow to reduce labor requirements and expand output are also those which are slow to cut unit costs and prices.[2]

Several other conditions affect the rapidity with which wage earners displaced by technological changes may find employment in other industries. Possibly the most important condition is the phase of the business cycle as reflected in employment. If manpower is generally in short supply, the problem may be readily solved. The mobility of such manpower as is displaced is also of major significance. For it should be apparent that shifts from one job to another, under these circumstances, are seldom simple. The livery stable attendant may not be immediately satisfactory as a bellhop, garage mechanic, telephone lineman, or beautician. Labor lacks much in mobility; there are, as has been noted, many frictions in labor markets. For this reason, the impact of technological change may be severe at particular times and in specific

[1] Paul H. Douglas, *The Theory of Wages*, New York, The Macmillan Company, 1934, p. 214.

[2] J. A. Schumpeter, *Business Cycles*, New York, McGraw-Hill Book Company, Inc., 1939, p. 515.

labor markets. As will be noted in the next chapter, however, there are steps that can be taken to meet this situation.[1]

In part, such action must involve measures designed to ensure competitive pricing of products. For technological change operates to produce employment by making products and services available to larger and larger numbers of consumers. This result is attained by reducing costs and thus making price reductions possible. If monopolistic influences restrict this tendency, the process of job creation may be seriously limited. As Professor McCracken has stated the point, "monopoly steps in to break the entire chain of events by which progress repairs itself. Furthermore, the same logic applies to monopolistic competition since it also tends toward monopoly price and adjusts supply to demand by control of output,"[2]

4.5 *Personal Unemployment.* Some unemployment is *personal* in that individuals involved are prevented by their personal characteristics from finding satisfactory work. In periods of widespread unemployment, there is some tendency to regard this group as large and to assume that many of those who are idle are "unemployables." In periods when labor markets tighten, however, many of those formerly regarded as unemployable secure and hold jobs.

Personal unemployment may reflect physical or mental characteristics or those that must be described as temperamental or attitudinal. Wage earners may find holding a job difficult because they can't get a position in which they are "appreciated" or they can't "get along with" fellow employees. Perhaps more frequent is the situation in which job opportunities of the particular type sought by the wage earner are not available. As has been frequently noted, one of the basic problems of a free economy that emphasizes the principle of voluntarism in participation arises from the fact that some services may be offered for which there is little if any demand. No one may wish to buy what some potential employees seek to sell.

A considerable volume of personal unemployment reflects unsatisfactory vocational guidance. Individuals prepare themselves for jobs

[1] See A. H. Hansen, "Institutional Frictions and Technological Unemployment," *Quarterly Journal of Economics*, Vol. 45, No. 4, August, 1931, pp. 684-697; "The Theory of Technological Progress and the Dislocation of Employment," *American Economic Review*, Supplement, Vol. 22, No. 1, March, 1932, pp. 25-31; Gottfried Haberler, "Some Remarks on Professor Hansen's View on Technological Unemployment," *Quarterly Journal of Economics*, Vol. 46, No. 3, May, 1932, pp. 558-565; R. Tremelloni, "The Effects of Rationalization on Employment," *International Labour Review*, Vol. 25, No. 2, February, 1932, pp. 189-212; Emil Lederer, "Technological Progress and Unemployment," *ibid.*, Vol. 28, No. 1, July, 1933, pp. 1-26; Mentor Bouniatian, "Technological Progress and Unemployment," *ibid.*, Vol. 27, No. 3, March, 1933, pp. 327-329.

[2] H. L. McCracken, "Monopolistic Competition and Business Fluctuations," *Southern Economic Journal*, Vol. 5, No. 2, October, 1938, pp. 158-178.

that do not exist. They develop expectations that cannot be fulfilled. Careful, skilled guidance—based on reliable information as to present and prospective opportunities in a variety of labor markets—could avoid a large share of such unemployment.[1]

4.6 *Frictional Unemployment.* In economies as extensive and complicated as those of most modern societies, an appreciable volume of unemployment is to be expected even when total demands for labor in various labor markets equal or exceed supplies. Such unemployment arises from a variety of labor market frictions, conditions that prevent the balancing of demands and supplies. Among the most important of these is the absence of accurate knowledge of employment opportunities. Another cause is the immobility that characterizes both labor and productive equipment. Many types of immobilities are involved. Employees do not move freely from one locality to another where there are opportunities for them. They cannot make rapid adjustments to fit themselves for new occupations. Factories, machines, and equipment cannot be readily moved to locations where labor supplies are adequate.[2] As a result of these conditions, those who seek personal services and those who wish to sell them do not meet. Unemployment results. This is the "irreducible margin of unemployment" or "hard core" mentioned by Beveridge.[3] He estimates it at about 3 per cent of existing labor forces. Other estimates range from 1½ to 7 per cent.[4] The commonly accepted figure in the United States is about 5 per cent of the labor force.

Steps may be taken to reduce these labor market frictions. Some such steps have been taken. Thus, for example, the collection of timely, reliable labor market data and its wide dissemination may greatly

[1] Mention should perhaps be made of *casual* unemployment or the unemployment of so-called "casual workers." The casual worker is one who has no special trade or industrial affiliation and is generally hired for short periods. He works in industries in which short periods of employment are characteristic. He is typified by the temporary farm hand in wheat, cotton, corn, and sugar beet harvests, the cannery worker, and the fruit picker. He shifts about from one job and one locality to another, becoming identified with no particular industry. Unemployment is closely related to the fact that he generally has no trade or industrial affiliation. His employment is typically sporadic.

[2] See, for an excellent study of personal immobility, Daniel Carson, "Occupational Mobility and Occupational Outlook," *Southern Economic Journal*, Vol. 14, No. 4, April, 1948, pp. 411–419.

[3] *Full Employment in a Free Society*, New York, W. W. Norton & Company, Inc., 1945, p. 169. Frictional unemployment does not include that frequently ascribed to "unemployables" by other writers.

[4] See Theodore O. Yntema, "Full Employment in a Private Enterprise System," *American Economic Review*, Vol. 34, No. 1, Part 2, Supplement, March, 1944, pp. 107–117; National Planning Association, *National Budgets for Full Employment*, March, 1945; Edwin G. Nourse, *Price Making in a Democracy*, Washington, The Brookings Institution, 1944; Karl T. Schlotterbeck, *Posterior Re-employment*, Washington, The Brookings Institution, 1943; Lester Pearlman and Leonard Eskin, "Nature and Extent of Frictional Unemployment," *Monthly Labor Review*, Vol. 64, No. 1, January, 1947, pp. 1–10.

improve market knowledge. Better and more extensive provisions for vocational guidance and training may reduce the influence of many frictions. Elimination of certain types of hiring restrictions may have similar effects. These and other attacks on frictions could greatly reduce what is presently regarded as an inescapable minimum of unemployment. In the absence of such action, experience indicates that from 1 to 1½ million are unemployed even when labor market demands are in excess of supplies, and as many as 2 to 3 million may be unemployed in periods of high-level business activity and employment.[1]

4.7 *Primary and Secondary Unemployment.* To this point, unemployment has been considered almost entirely in terms of individuals as units. As has been noted in the discussion of wage markets, the household or family is in some respects a more realistic economic unit. Expenditures for goods and services follow a household pattern. When children are young, the family budget reflects this condition; as they mature, needs and purchases change. Employment, the means by which most families secure the money or credit to make such purchases, may reasonably be expected to reflect these circumstances.

Actual studies of employment and unemployment indicate that there is such a relationship. Members of the family or household regard themselves as a unit, and move into or out of labor markets according to their family requirements.[2] When the principal wage earner is employed, if his or her income is adequate to the needs of the household, other members remain outside the labor force and attend school or are otherwise occupied in noncommercial activities. But when the head or primary member's income is reduced by shorter hours or unemployment, some of the other members of the household enter the labor force. If they are unable to find work, their unemployment may be regarded as *secondary*, while that of the principal wage earner is *primary* unemployment. This distinction has great significance, from the standpoint of the reduction of unemployment and the maintenance of high-level employment. For *secondary* unemployment exerts a cumulative effect on the total volume of those seeking work. The primary worker is first unemployed. Then, as other members of the household enter the labor force but fail to find jobs, the total of unemployment swells.

Similarly, unemployment may be reduced or prevented more effectively by finding or maintaining adequate employment for *primary* wage earners

[1] For an analysis of frictions in local labor markets of one locality, see Dale Yoder, D. G. Paterson *et al.*, *Local Labor Market Research*, Minneapolis, University of Minnesota Press, 1948, Chaps. 4 and 5; also Lloyd G. Reynolds and Joseph Shister, *Job Horizons*, New York, Harper & Brothers, 1949.

[2] See *Local Labor Market Research*, Chap. 5; also unpublished thesis by H. G. Heneman, Jr., entitled "Differential Participation in the Labor Force," also "Family Unemployment —Preliminary Survey," Washington, Works Progress Administration, 1939; W. S. Woytinsky,

than by seeking to provide jobs for secondary participants. For the income of two or more of the latter may be necessary to sustain the household, whereas if the principal wage earner is fully employed, then others will automatically withdraw from the market. On the other hand, even if secondary wage earners find employment, primary wage earners generally remain as candidates seeking jobs.

QUESTIONS AND EXERCISES

1. What is the usefulness of the distinction between wage and job markets?
2. Provide examples of over- and underutilization of manpower.
3. Distinguish full employment from maximum employment and high-level employment.
4. Is full employment possible within the present framework of the American economy?
5. Outline major provisions of the federal Employment Stabilization Act.
6. Describe the purposes and provisions of the Employment Act of 1946.
7. Upon what measures for preventing serious unemployment is greatest dependence placed under the Employment Act of 1946?
8. Describe current statistics of employment and unemployment in the United States, indicating their sources and limitations.
9. What types of information on levels of employment are available from public employment offices?
10. How do BLS reports on employment differ from those provided by the Bureau of the Census and from unemployment compensation reports?
11. From what sources are data available on levels of employment and unemployment in other nations?
12. Describe each of the principal types of instability in employment.
13. Show that seasonal unemployment varies in its impact on various industries.
14. What are the basic causes of seasonal fluctuation in employment?
15. Describe major factors in causing cyclical fluctuations in employment.
16. How have rising living scales contributed to cyclical unemployment?
17. What is the usual pattern of seasonality in employment?
18. What type of unemployment do you regard as most serious in the United States?
19. How does the incidence of cyclical unemployment differ from that of seasonal unemployment?
20. List measures you conclude would be most useful in preventing or reducing cyclical unemployment.
21. How is cultural unemployment different from technological unemployment?
22. What are the basic factors in technological unemployment?
23. Summarize arguments with respect to the long-term effects of technological change on employment.
24. What factors are most influential in conditioning the effects of technological change on employment?
25. What conditions appear to influence industry's ability to absorb those displaced in technological changes?
26. How is manpower mobility related to technological unemployment?
27. What is personal unemployment?
28. Explain what is meant by frictional unemployment.
29. What is the "hard core" of unemployment?
30. What levels of frictional unemployment are accepted as normal in the United States?
31. Why is the distinction between primary and secondary unemployment important?

Chapter 9

Job Markets: Creating and Maintaining Work Opportunities

The preceding chapter has described the social goal of high-level employment and some of the underutilization of manpower resources that results from various types of unemployment. It is evident that manpower resources are wasted by unemployment. Unemployment thus represents one of those failures to achieve established goals that has been described as characteristic of "labor problems."

1.0 Maintaining Employment

In this chapter, attention turns to means and methods of reducing this waste. Since the general problem of unemployment can certainly not be said to have been solved, these various devices must be recognized as far from perfect. Indeed, many of them are relatively untried, so that they may best be described as proposals. Moreover, several of them are subjects of continued controversy, with proponents arguing that they are essential and would be effective, while opponents challenge these claims, insist they would not work, or argue that the remedy is worse and more destructive of established goals than the problems they are designed to solve.

1.1 *Wage Adjustment.* There are those who insist that unemployment of any large amount of manpower indicates that wage rates are too high. They conclude that a general lowering of wage rates would expand employment and increase wage earners' income. They argue that pricing is the mechanism by which other markets are cleared and that the same device should be used to clear labor markets as well. They calculate that if wage rates are reduced enough, services will sell and manpower will secure employment. They see little point to more complicated programs designed to provide or maintain employment, when, in their opinion, a sane labor-pricing policy—in this case, a wage reduction—will solve the problem.

As may be apparent, this position is essentially the converse of the wage rate maintenance theory described in an earlier chapter. Neither position can be dismissed as obviously ridiculous. Under particular conditions in specific labor markets, either may be appropriate. There is a time and place for wage adjustment. There are situations in which labor, through its organizations, has priced itself out of certain markets.

Under these circumstances a logical means of reemploying available manpower may be either wage rate reduction or increased productivity and output—in other words, reduced unit labor costs. Such situations are most frequently encountered late in the phase of business expansion and prosperity or in periods of recession when prices as a whole have fallen. Under these conditions, if wage rates are maintained and productivity fails to increase, the price of some labor may readily get "out of line" so that employment is not profitable. The most obvious remedy for such situations is an adjustment of labor costs, so that they fit into the newer level of prices.

For many types of unemployment, however, wage rate reduction might prove quite ineffective. Moreover, it would be objectionable in terms of other social objectives. In part this is true because manpower would in such cases be assuming the burden of cost reduction that might reasonably be shared with other factors of production. In other words, in most periods of extensive unemployment, manpower is not the only resource that is unemployed. Capital equipment stands idle, and raw materials are not consumed. There is as much reason to assume that they are overpriced as to make that assumption with respect to labor. It would be somewhat unreasonable, in such cases, to expect labor to assume the full impact of necessary price readjustment in order to restore a profitable position for the industry. Other factors should, if prices are to be adjusted downward, be similarly reduced.

There is the further fact that the effects of wage rate adjustments are not simple. Their influence in a period of business recession or depression cannot be forecast with certainty. Yet that is the time in which suggestions for wage reductions are most common. Some such reductions are also proposed to combat seasonal unemployment.

1.2 *Discriminatory Reductions.* Adjustments in wages may be selective or discriminatory or they may be inclusive and general. A general, proportionate wage reduction might appear appropriate if prices have fallen, but effects of such a reduction might well be the opposite of those desired. Instead of improving business activity and employment, such an inclusive wage cut might encourage further recession if it suggested the general conclusion that recession was in full swing, with lower prices to be expected. Reduced income of wage earners—if employment did not expand—would exert an influence in the same direction.

With such considerations in mind, selective or discriminatory wage reductions have sometimes been suggested. Thus, it is argued that wages and prices in producers'-goods industries should come down, since these industries are hardest hit by recession. Some evidence indicates that "automatic" market influences tend to produce this type of selective adjustment and that it may be effective in minor recessions. For more

severe declines when unemployment is widespread, however, more inclusive measures involving fiscal policy and pump priming appear essential. For this reason, it is widely agreed that every possible means should be employed during these severe cyclical reductions in employment.

Public opinion seems also to be agreed that democratic societies such as those of most western industrial nations cannot preserve their political institutions in the face of repetitive epidemics of widespread unemployment. They occasion such family disorganization and personal distress and hardship that those who are most seriously affected naturally turn to any changed social and political order that promises relief from these periodic catastrophes. Unemployed and their friends are particularly responsive to propaganda and the programs of political demagogues. Under such circumstances, modern societies have sought to develop means of softening the impact of unemployment and preventing, as far as possible, fluctuations in demands for labor that underlie such shifts.

1.3 *Relief Measures and Preventive Measures.* To some extent, this objective has been sought by provision of various types of unemployment relief. Such provisions seek to supplement incomes of the unemployed, or to make work for them. Attention will be directed to some of the more prominent relief provisions in subsequent paragraphs. All modern societies make provisions of this kind. In many of them, unemployment is not distinguished from other sources of distress, and aid of this type is simply "poor relief," without regard to the source or cause of need.

In contrast to these "relief" measures applied to unemployment, there are a number of "preventive" devices and programs. Their purpose is to stabilize employment, to maintain its even level. Managerial devices for stockpiling products, securing advance orders, and standardization of products are of this type, as are public programs of vocational guidance, training, and retraining.

Some suggested programs combine these objectives. Thus, for example, unemployment compensation provides relief or aid for those who are forced out of work and, at the same time, through its merit-rating provisions, seeks to encourage the maintenance of even levels of employment.

2.0 Made-work and Work-relief Programs

Traditional American philosophy has stressed the independence and self-sufficiency of the individual and encouraged the development of attitudes that are opposed to either the giving or the receiving of outright grants for relief. Both private and public relief agencies have encountered these attitudes among the needy. Local as well as central governments have felt the influence of members of the public who oppose such "gifts." Under these circumstances, there have been distinct prefer-

ences for work-relief or made-work programs rather than unilateral grants of funds to those who require assistance.

Under these circumstances, it is not surprising that much of the relief provided for those who are in need because of unemployment is work relief. Some communities have insisted that no relief should be granted unless recipients are willing to work for it. In some cases and in certain localities, a "work test" is applied as a condition to the granting of relief. Individuals are offered work on public projects, and amounts granted may or may not be scaled according to the amount of work performed.

The idea of work relief is not a new one. It has been traced back to the Middle Ages and has long held a recognized place in European aid provisions. The theory of made work is fairly simple. The general thesis holds that it is socially desirable that the unemployed be occupied rather than idle and that society require some payment in return for the relief it provides. Made work is thus a substitute for outright grants of aid. It is generally more expensive than direct aid, since society must provide materials used in the work as well as wages. Whether it is more costly in the long run depends, of course, upon the value of the work completed and of the conservation of skills and of self-respect among those who would otherwise be unemployed.

2.1 *Federal Programs.* While many made-work programs have been local in nature, the Federal government entered extensively into the maintenance of such programs in the 1930–1937 recession. The general nature of made work may be illustrated by the activities of several agencies established in 1933 and thereafter. First of the nation-wide made-work programs in that period of depression was undertaken by the Civil Works Administration. Another agency, the Civilian Conservation Corps, provided employment for young men in reforestation, road building, erosion control, forest fire prevention, rodent control, insect control, plant disease eradication, flood control, bridge building, improvement of recreational facilities, and other similar projects. Still another, the Public Works Administration, was established in 1933 to provide work relief on self-liquidating public construction. In an effort to speed the made-work program, the Work Projects Administration was set up in 1935. It placed major emphasis upon providing jobs and gave less attention to the value of the work accomplished.[1]

Table 9.1 summarizes the employment provided directly by WPA projects during the period from 1935 to 1940. It may be noted that the

[1] See, for more detail on these programs, Theodore E. Whiting and T. J. Woofter, Jr., "Summary of Relief and Federal Work Program Statistics," Washington, Work Projects Administration, 1941; "Our Public Works Experience," Washington, National Resources Planning Board, 1941; "Five Years' Operation of the W.P.A.," *Monthly Labor Review*, Vol. 52, No. 3, March, 1941, p. 604.

TABLE 9.1. EMPLOYMENT ON WPA PROJECTS[1]

Month	Average number of persons employed	Month	Average number of persons employed
1935		1938	
July	.....	April	2,540,464
August	220,163	May	2,640,246
September	374,316	June	2,743,025
October	705,169	July	2,999,021
November	1,814,958	August	3,125,244
December	2,667,190	September	3,213,609
1936		October	3,286,611
January	2,879,733	November	3,384,594
February	3,019,098	December	3,161,080
March	2,960,315	1939	
April	2,626,367	January	3,021,595
May	2,396,719	February	2,996,554
June	2,285,622	March	3,009,110
July	2,245,328	April	2,792,362
August	2,332,380	May	2,645,550
September	2,453,602	June	2,578,041
October	2,552,574	July	2,282,087
November	2,551,042	August	2,970,688
December	2,247,461	September	1,720,996
1937		October	1,877,439
January	2,131,079	November	1,960,518
February	2,149,369	December	2,123,431
March	2,129,475	1940	
April	2,078,221	January	2,216,314
May	2,021,579	February	2,309,218
June	1,878,008	March	2,310,539
July	1,631,204	April	2,144,040
August	1,510,894	May	1,981,661
September	1,455,997	June	1,755,526
October	1,462,605	July	1,655,477
November	1,503,720	August	1,701,512
December	1,596,676	September	1,692,538
1938		October	1,766,356
January	1,803,102	November	1,799,309
February	2,003,840	December	1,859,588
March	2,321,541		
		1941, monthly average	1,023,400
		1942, monthly average	299,500

[1] From "Five Years' Operation of the WPA," *Monthly Labor Review*, Vol. 52, No. 3, March, 1941, p. 602; *Handbook of Labor Statistics*, 1947, p. 203.

volume of such employment fluctuated widely during this period, from a minimum of something less than 2 million, shortly after the program had become established, to a maximum of almost 3½ million in November, 1938. Although many of those who found employment on WPA projects showed some tendency to remain there rather than to accept employment in private industry, there was enough turnover so that it is estimated that at least 7½ million different persons were employed, at one time or another, on these projects.

Table 9.2 summarizes expenditures of the Federal government for these programs in the same period. Peak expenditures occurred in 1938–1939. As may be noted, a small portion of the funds was expended for nonlabor costs. The Civilian Conservation Corps program terminated in June, 1942, the Work Projects Administration in June, 1943.

TABLE 9.2. EXPENDITURES FOR WPA PROGRAM, 1935–1940[1]
(In thousands)

Programs	Account expended				
	Total	Labor	Nonlabor	Administration[2]	Miscellaneous[3]
All WPA projects	$8,813,141	$7,515,593	$933,099	$348,564	$15,885
1935–1936	1,258,130	1,040,400	153,167	64,563	
1936–1937	1,818,131	1,472,878	278,409	66,844	
1937–1938	1,427,374	1,231,590	131,976	63,808	
1938–1939	2,230,750	1,944,599	193,639	76,685	15,827
1939–1940	1,520,106	1,339,194	125,534	55,331	47
July 1–Nov. 30, 1940	558,650	486,932	50,374	21,333	11

[1] From "Five Years' Operation of the WPA," *Monthly Labor Review*, Vol. 52, No. 3, March, 1941, p. 606; see also *Handbook of Labor Statistics*, 1947, p. 203.

[2] Includes NYA administrative expense incurred prior to July, 1939, when the WPA and NYA programs were administered jointly.

[3] Includes purchases of surplus clothing for needy persons and aid to self-help and cooperative associations under ERA act of 1938, expenditures for settlement of property-damage claims and tornado relief under ERA act of 1939, and expenditures for settlement of property-damage claims under ERA act, fiscal year 1941.

WPA was a system of providing direct work relief, with almost all expenditures for labor. The PWA program, on the other hand, sought to "prime the pump" by making funds available for construction and other such activities, on the theory that they would be subject to a "multiplier" effect, in which their influence would be cumulative.

The manner in which such projects are expected to have a cumulative effect is illustrated by a report circulated by the PWA in explanation of its program.[1] A portion of the report runs as follows:

[1] *P.W.A. and Industry*, Washington, Bureau of Labor Statistics, 1938.

On the basis of experience with hundreds of millions of dollars' worth of construction, the Bureau developed fundamental ratios for determining the industrial and employment benefits which would result from an expenditure of $1,000,000 on each type of project.

The indirect labor created by every $1,000,000 of contracts awarded for public buildings is illustrated by the chart on the center pages of this book. About 344,000 man-hours of labor would be created at the site. For the mining and production of raw materials, transportation, manufacture, and distribution necessary to supply the needs of the $1,000,000 contract, 740,000 man-hours of indirect or "behind-the-lines" labor would be required. Thus, for the expenditure of $1,000,000 on a public building, a total of 1,084,000 man-hours of employment would be created. Of the total, only a portion would appear directly at the site, the balance being spread through manufacturing, transportation, and production of raw materials, and in administration and overhead on the project, as shown in the chart. Thus, the expanding wave of employment would move out to many points in the industrial system.

Such an analysis should, of course, recognize that the impetus provided by this use of public funds may have some effect in slowing up the circulation of "purchasing power" in other circles. This result can follow if the funds used for WPA projects would have been expended for some other purpose during the same time period. Those who are opposed to such public provisions generally insist that if government would leave these funds in the hands of private income receivers, the latter would spend them as effectively as does government, in terms of the creation of employment and purchasing power. Advocates of public-works programs deny this claim. They argue that individual income receivers hoard their incomes in such periods, so that government must step in. They insist that such public action is essential to reactivate normal processes.

There is no conclusive answer to this argument. It is not possible to be sure what might have happened. It is likely that the stimulus provided by public works will run out with little effect unless conditions are ripe for business expansion. On the other hand, it is possible that, if such a program is introduced at a time when recovery is but waiting for a signal, the competitive demand for labor set up by a works program might speed recovery. Its influence might, however, tend in the other direction, since, by maintaining what may be regarded as an artificial demand for labor, it reduces the influence of tendencies toward private reemployment. Major justification for such programs must be found in (1) the reluctance of private investors and owners to venture into higher level activity in periods of recession, (2) the necessity of maintaining the skill and competence of the labor force, and (3) the social necessity of preventing additional social and political disorganization. There is opportunity for valuable study to discover how effective such programs have been in achieving these results.

2.2 *Advance Planning of Public Works.* One of the generally accepted proposals for smoothing cycles of employment and unemployment involves the advance planning of public works, so that these activities may add to employment when business activity slackens. Without such planning, public works are frequently undertaken in periods of high-level employment, thus adding to the labor shortages of such periods. Then, when recession reduces the demand for labor in private employment, public works may be similarly restricted, in an effort to reduce public expenditures and taxes.

Proposals for advance planning of public works seek to reverse this process. They would hold public construction to a minimum during periods of prosperity and high-level business activity. But plans for public construction would be made during these periods. Some proposals contemplate also that "prosperity reserves" of funds to be used to finance public construction would also be accumulated during prosperous years. Then, when business recession threatens, these reserves would be drawn upon to provide an expanding public-works program. Proposals reflect experience in earlier attempts to use public construction as a "pump priming" device—experience which indicates that planning of such programs must be done well in advance. Decision has to be made as to what projects are to be undertaken and what priorities are to be given each of them. Then plans have to be drawn. The result is inevitable and lengthy delay in getting projects under way.

Some steps have been taken toward advance planning of public works, in spite of these difficulties. As a result of experience in the depression of the 1930's, most states now have state planning boards. They are charged with responsibility for advance planning of public projects and for over-all surveys designed to assure the future economic prosperity of the state. No programs specifically provide "prosperity reserve" funds. But there appears to be a fairly widespread acceptance of the idea that public construction may well be regulated so that only that which is urgent should be undertaken in periods of high-level employment.

2.3 *Self-help Arrangements.* In the early years of the 1930 depression, numerous arrangements were begun whereby unemployed could exchange property and services among their own numbers. These programs grew out of the obvious maladjustment in which large numbers of unemployed were eager to work and equally eager to consume the products they might thus produce. Programs sought to overcome the economic stalemate imposed by the failure of ordinary economic processes to provide a market in which mutually beneficial services could be exchanged. Some of them were established with the encouragement and assistance of the Federal Emergency Relief Administration.

Sometimes these provisions were extremely simple and involved little

more than an exchange of garden products. In others, however, arrangements were carefully planned, and a fairly wide range of goods and services were exchanged. Several of the associations included provisions aimed at accumulating capital, so that machinery and equipment might be purchased. The services and goods exchanged varied from common labor to medical aid and from garden truck to clothing, furniture, and manufactured products of many types. As the depression continued, interassociation exchange relationships were developed, and products of one area were bartered for those of another. In some localities, an association's scrip circulated widely and held fairly consistent value.[1]

3.0 Work-spreading Proposals

One of the most common and appealing suggestions for the reduction of distress occasioned by unemployment involves the more even distribution of employment among those who wish to work. The idea is generally described as "work spreading." It proposes a reduction in the number of working hours to the point that numbers employed will more nearly equal numbers of job applicants.

The general theory behind such proposals is that labor has, at least temporarily, "worked itself out of a job," in that it has produced too much. Generally, those who propose this remedy attribute the situation to the increased efficiency in methods of production. They regard the unemployment they observe as essentially technological. In many cases, they are exponents of the "lump of labor" theory described in an earlier chapter, in that they believe there is just so much work to be done, so much demand for the services of labor.

Since it is essentially income that is to be distributed, proposals for work spreading may be coupled with an insistence that even though each employee's hours are reduced, weekly earnings must be maintained. On any other basis, it may be argued, the reduction in hours would force additional numbers of employees into situations in which wages were inadequate for their needs. One common suggestion proposes that weekly hours be reduced in an amount great enough to provide equal employment for those presently out of work, while weekly earnings are maintained at existing levels.

As will be indicated in a subsequent chapter, variations in working hours may have complicated effects. It cannot be assumed that reducing hours 25 per cent, for example, will automatically reduce output by the same amount. Numerous experiments and extensive experience have

[1] For reports on these activities during the 1930 depression, see "Cooperative Self-help Activities among the Unemployed—Summary," *Monthly Labor Review*, Vol. 36, No. 6, June, 1933, pp. 1229–1240; "Self-help Activities of the Unemployed," *ibid.*, Vol. 47, No. 1, July, 1938, pp. 1–17.

indicated that such reductions in hours may result in greater or lesser hourly output. Their effects on labor costs and total costs per unit of product cannot be taken for granted. But if total costs are increased, so that the product cannot be produced to sell at established prices, manpower requirements may be restricted, making further reductions in work force necessary. If output is increased and unit costs reduced, it is possible that production and sales may justify additional employees. But the reduction of hours cannot be counted on to result automatically in higher efficiency, nor can demand for all products be assumed to be sufficiently elastic so that additional quantities will be bought, even if hourly efficiency were raised and product prices reduced.

Most important, also, is the fact that there is no reason to believe that additional employees to be hired would be as efficient as those already working. In general, when there is a necessity for reducing work forces, less efficient employees are laid off, either through a purposeful "weeding out" process or through seniority provisions that achieve a somewhat similar result. The unemployed are, for this reason, seldom the most efficient employees. Their addition to working forces under a work-spreading arrangement is likely, therefore, to add to unit labor costs. The same result would follow employment of inexperienced employees drawn from the pool of unemployed. Rising unit costs could further limit production and the demand for labor's services.

On the whole, work spreading in a period of extensive unemployment is almost certainly a process of poverty spreading and need spreading. It cannot serve effectively as a preventive or reconstructive device applicable broadly to industry.

4.0 Economic Planning

Largely as a result of the disastrous unemployment that characterized the recession following 1929, popular attention was focused on the possibility of "planned" economic activity or what was popularly called "economic planning." To some extent, the idea represents an expansion of the idea of what has been known as scientific management, the planned control of individual business. From another angle, it is but a further step to be taken by labor organizations and managements that have already effected degrees of planned control in particular industries under programs known generally as union-management cooperation (see Chap. 19). It is also a natural suggestion for those who see a necessity for continually greater governmental control of business and industry. At the same time, it fits well the ideas of some business leaders who favor industry-wide associations and agreements of a monopolistic or semi-monopolistic nature.

If a central idea of "economic planning" may be gleaned from the

variety of suggestions emanating from a host of sources, that conception appears to contemplate a sort of nation-wide supercontrol for industry and business.[1] The best illustration of how it might work is provided by the operation of the Anthracite Production Control Plan, which has operated among anthracite producers in Pennsylvania since January, 1940. Under the plan, a committee of producers meets weekly to consider prospects for consumption of coal. The committee sets total production and advises member producers of their quota. The plan has the blessing of the union and the state. It is credited with having saved the industry from bankruptcy.[2]

As a means of reducing unemployment, economic planning is directed at both seasonal and cyclical fluctuations, and, to a lesser extent, at long-term trends. A primary assumption holds that production must be planned to meet demands at prices that permit satisfactory wages and profits. It is further assumed that cyclical fluctuations, both in business and in employment, are largely explained by the overdevelopment of particular industries, by overinvestment in certain phases of business and production. At the same time, these ups and downs reflect unsound fiscal policy on the part of government. The resulting lack of balance forces recession, deflation, and subsequent or accompanying social disaster. Accordingly, advocates of planning propose to restrict the laissez-faire philosophy that has characterized much American economic and political policy and to substitute for it a theory of social or group regulation of individual business and of governmental manipulation designed to maintain economic stability.

4.1 *National Industrial Recovery Act.* National legislation designed to effectuate such a system of economic planning began with the National Industrial Recovery Act, approved by the President on June 13, 1933. The act proposed a system in which industries were to be organized along the lines of cartels, already in operation in several European nations. Cooperation among firms to establish rules of fair competitive practice in each industry was permitted. At the same time, the government was to be a "partner" in the development, in order to protect the public against unfair monopolistic practices. Within each industry, managerial policies were to be regulated in an attempt to (1) prevent "overproduction" (by which was meant production in quantities so great

[1] As illustrating this viewpoint, see Frederick J. George, *Readings in Economic Planning*, New York, Business Course, 1932; H. R. Burrows and J. K. Horsefield, "Economics of Planning: Principles and Practice," *Pamphlet Series*, 1, Philadelphia, American Academy of Political and Social Science, 1935; Arthur B. Adams, *Our Economic Revolution, Solving Our Depression Problems through Public Control of Industry*, Norman, Okla., University of Oklahoma Press, 1933; *Economic Reconstruction: Report of the Columbia University Commission*, New York, Columbia University Press, 1934.

[2] See *Business Week*, No. 1019, Mar. 12, 1949, pp. 21–22.

as to preclude profitable operation with what were popularly regarded as socially satisfactory working conditions), (2) stabilize employment, (3) raise and maintain wages and purchasing power, and (4) control the expansion of productive facilities. By such means, the Act proposed not only to spread existing employment, but also to establish a long-term system of economic control. That system, by its regulation of capital expansion, competitive practices, and working conditions, was expected to restrict cyclical fluctuations in business. One of the six staff divisions of the National Recovery Administration was designated as "Research and Planning." It included a statistical service, which sought, by securing detailed and inclusive data as to business and economic conditions, to provide the government as well as individual industrial groups with pertinent data upon which to base regulation and future planning.[1]

Possible results of this legislation so far as long-range planning is concerned must remain a matter of speculation, for, on May 27, 1935, the United States Supreme Court held the Act unconstitutional.[2] The decision held that the congressional delegation of power to approve codes and enforce their provisions was improper. The elaborate system of industrial codes was discontinued at once.

But experience indicated rather clearly that such "planning" is somewhat incompatible with the usual principles of a "free" economy. Industries, integrated under "industry committees" and operating under "codes," appeared to find greatest advantage in the opportunity to avoid antitrust rules. Prices were fixed, and consumer needs failed to receive effective protection. Governmental participation as a "watch-dog" and "protector" was not adequate to assure the predominance of consumer interests. To many observers, the experience appeared conclusively to demonstrate that this type of semicontrolled planning is unsatisfactory.

4.2 *The Bituminous Coal Act.* A subsequent attempt to provide a somewhat similar system of planning for a single industry was provided by the Bituminous Coal Conservation Act of 1935. That legislation was, however, declared unconstitutional in 1936. In 1937, another legislative attempt resulted in a second Bituminous Coal Act. That act established a National Bituminous Coal Commission with authority to regulate production and sales in the industry. The Commission was empowered to enforce a coal code, in which production and sales policies for the industry were defined. Minimum and maximum prices were established for coal moved in interstate commerce. A number of "unfair practices" were prohibited. Individual firms were required to conform to the code

[1] For a detailed description of the NRA structure, see L. S. Lyon, Paul T. Homan, George Terborgh, Lewis Lorwin, Charles Dearing, and Leon C. Marshall, *The National Recovery Administration*, Washington, The Brookings Institution, 1936.

[2] In *A.L.A. Schechter Corp. v. United States*, 295 U.S. 495.

developed by the Commission and to the regulations imposed by the Act through the taxing provisions of the law. A tax of 1 cent per ton was levied on all coal sold or disposed of by any producer. An additional tax of 19½ per cent of the fair market value was imposed on coal distributed by a concern that did not subscribe to the code. In practice, only the price controls were used. Added authority to regulate production and allocate markets was neglected because price regulation appeared to secure the law's objectives. Administration of these provisions was transferred to the Department of the Interior by the reorganization plan of 1939. In 1943, the Act expired.

Effects of the act are not easily appraised, because it operated in a period of general business improvement. The national defense program and World War II created a period of tremendous industrial expansion. In this increased business activity, demands for coal grew rapidly, as did the power of labor organizations. As a result, conditions in coal mining were greatly improved, in terms of both wages and profits. The effects of legislation cannot be distinguished from those of improved business conditions and the growing influence of Mr. John L. Lewis, president of the United Mine Workers of America.[1]

4.3 *Planned Consumption.* In all proposals for planning of production, there is an inherent assumption that consumption can be effectively estimated or will follow planned production. While experience is yet too meager to prove anything, there is good reason to question whether planned production can be effective without planned consumption. In other words, if production were to be made to fit a predetermined pattern, a large share of consumption would probably have to be regulated to meet the same pattern.

5.0 Managerial Devices for Stabilization

There are many steps that can be taken by managements to stabilize employment. While some cyclical fluctuations are so severe and so extensive throughout all industry that individual managements can do little to control their effects on business, much can frequently be done toward stabilization, particularly with reference to seasonal shifts and lesser cyclical influences. The provision of unemployment compensation with merit rating that adjusts costs to the employment experience of individual employers has encouraged careful consideration of such measures.

5.1 *Centralized Controls on Hiring.* For larger concerns, one of the simplest of such devices merely centralizes personnel records and the control of hiring. Experience has shown that in many concerns indi-

[1] See, however, Waldo E. Fisher, *Economic Consequences of the Seven-hour Day and Wage Changes in the Bituminous Coal Industry*, Philadelphia, University of Pennsylvania Press, 1939.

vidual departments may be laying off employees at the same time that other departments are employing persons with essentially similar qualifications. More carefully considered practice now seeks to discover secondary and tertiary job qualifications of employees and thus to provide more stable employment by shifting employees from jobs that are running out to others that require added personnel. Obviously, this device requires the cooperation of employees and their willingness to accept varied job assignments.

5.2 Attacks on Seasonal Fluctuations. A number of devices have been found useful in smoothing the curve of seasonal variation in employment. In one of the oldest, managements seek *diversified production*, dovetailing products that have different seasonal demands. Thus, the combination of iceboxes and furnaces, or of garden tools and winter sporting equipment might be helpful in this direction. New products added to a line may be useful in the same way. Such developments have the advantage not only of tending toward stabilized employment of manpower resources but also of utilizing productive equipment more efficiently.[1]

Many short-term fluctuations in employment are attributable to habits of buying and selling. In such situations, stability may be increased by *changed demands*. Consumers may delay the purchase of winter coal, for example, until fall's chilly evenings remind them. In addition, salesmen may call on retailers at irregular intervals and urge them to buy largest possible quantities at such times. To overcome these sources of variation in demands, many concerns have sought to spread buying throughout the year. Procter and Gamble, for example, have achieved wide recognition for their program of smoothing sales curves and thus maintaining an even flow of orders throughout the year. Coal and furnace concerns have offered special inducements to consumers who place their orders in the spring or early summer. They thus stimulate sales during what are ordinarily slack seasons, and reduce the usual peaks of demand.

Many of the problems of seasonality in demands reflect consumers' habits rather than any more basic conditions. Hence, one method of attack on such irregularities seeks *changed buying habits*. Automobile manufacturers provided an excellent example when they encouraged the introduction of new car models throughout the year, rather than in the spring as had been the practice for many years.

Stockpiling is another of the older and more widely used stabilization devices. Managements estimate annual output, set a monthly production schedule, and store such excesses as are produced in slack seasons. These reserves are distributed during the period of peak consumption.

[1] See Sam Arnold, "Planned Dovetailing of Seasonal Employment," *Research Monograph* 35, Columbus, Ohio State University Bureau of Business Research, 1944.

Watch manufacturers, faced with a market in which a large portion of total production is purchased during one or two comparatively short periods in each year, have used this device effectively. Even foods producers, by providing refrigerated warehouses, have found that manufacture for stock is entirely possible and is effective in reducing seasonal fluctuations.

New markets may offer different seasonal patterns from those in which products have customarily been distributed. The Johnson Wax Company, for example, found an effective means of achieving more evenly distributed sales by development of southern markets, where housecleaning seasons do not coincide with those in the northern sections of the country. South American markets, in which the seasons are reversed, have been found especially useful in this connection.

There are other related practices that may exert a powerful influence on short-term fluctuations. A considerable volume of unemployment has frequently arisen from the lack of careful planning and control in production. Departments and divisions were allowed to get out of hand, in that they operated at top speed until the components they produced were available and in storage in such quantities that they could not be used up for many months. Inventories of parts were not properly balanced. Employees were allowed to continue too long on certain operations. Sometimes these conditions reflected an unwillingness on the part of employees to be transferred from one type of work to another. With cooperation from employees and careful planning of production and control of inventories, much can be done to even levels of employment in many if not most types of production and distribution.

5.3 *Guaranteed Employment Plans.* Among the most widely discussed programs for individual concerns are those that provide "guaranteed employment" or, in only slightly varied form, "annual wages." While there are differences between the guarantee of employment and that of wages, the general idea is the same—that employees shall be assured by the managements of firms in which they work of a minimum income from or opportunity for employment for the year as a whole. Such guarantees apply unless reductions are occasioned by an employee as a result of his absence.

Such plans, as was noted in Chap. 7, have been in operation in a few firms for many years. Best known are the plans of Procter and Gamble, the George A. Hormel Company, and the Nunn-Bush Shoe Company, although there are many others. Those mentioned illustrate the basic difference between guarantees of employment and of wages. The Procter and Gamble plan assures each covered employee of 48 weeks' employment plus a paid vacation each year. The Hormel plan, on the other hand, guarantees a minimum annual income, which is paid in equal

installments, regardless of weekly hours of work. At the year end, employees are compensated for all employment in excess of the minimum.

During World War II, labor organizations exerted a strong pressure to secure legislation requiring such guarantees. There was widespread fear of serious unemployment in immediate postwar years, so that demands of unions met with favorable response in many quarters. The Office of War Mobilization and Reemployment created a technical committee to examine the possibilities and problems involved. Numerous private organizations undertook studies to discover and appraise experience with such plans and to consider their possible extension to additional firms and industries.[1]

5.31 *OWMR report.* The report of the Office of War Mobilization provided much additional information on experience with these plans, together with a hypothetical application of the annual wage principle to several industries. The report indicates that none of the existing plans provides coverage for all employees in the firms having such plans. Some groups, generally those with least stable employment, are specifically excluded. Employees become eligible to participate only after a stipulated period of employment. Moreover, employment is not—in many of the plans—guaranteed on an annual full-time basis. Some plans guarantee 48 weeks of employment per year, some 47, some 45, and some as little as 13. Some provide that such employment shall be at full-time rates of wages, while others provide for lower rates.[2]

On the basis of a study of 196 active and 62 discontinued plans, the report concluded that annual wages could be provided by most industries. For that purpose, however, the committee suggested that such a program should be combined with unemployment compensation and that the Fair Labor Standards Act and income tax law provisions should be amended to facilitate the variation of working hours from time to time and the accumulation of reserve funds or employment credits.

In the hypothetical application of the plan to six firms, the committee found that, for the four-year period beginning in January, 1937, and ending with the close of 1941, costs would have varied from 1.3 per cent of annual payrolls in a paper firm to 20 per cent in one of the steel companies.

[1] See A. D. H. Kaplan, *Guarantee of Annual Wages*, Washington, The Brookings Institution, 1947; Joseph L. Snider, *The Guarantee of Work and Wages*, Boston, Harvard University Graduate School of Business Administration, 1947; Herman Feldman, "Annual Wage Plans and Some of Their Practical Problems," *Advanced Management*, Vol. 10, No. 3, September, 1945, pp. 104–112; Office of War Mobilization, *Release* of Nov. 21, 1946; "The Economics of the Guaranteed Wage," Washington, Chamber of Commerce of the United States, 1948; "Guaranteed Wage Plans in the United States," *Bulletin* 925, Bureau of Labor Statistics, 1947.

[2] See "Guaranteed Wage or Employment Plans," *Bulletin* 906, Bureau of Labor Statistics, 1947, p. 12.

5.32 *Economic implications.* The final report[1] gave some attention to the economic implications of guaranteed wages or employment in a "price-controlled" economy. Consideration was given to the far-reaching stabilizing effects of such provisions, if they were to become available on a broad scale. They might exert a significant influence in relieving employees of the worries of insecurity and thus increase efficiency and productivity. Whether the result of such relief would be to encourage greater or lesser productivity is a matter of disagreement. Critics of proposals to extend guarantees insist that without the spur of insecurity, many employees might become less efficient. It is possible also, that widespread application of wage guarantees might create rigidities that would retard price adjustments and prevent business expansion. Similarly, technological changes might be delayed and new enterprises—entering an untried field—might be discouraged. On the other hand, the provision of wage and employment guarantees might actually encourage such advances by removing much of the employee opposition that presently arises from the fear of losing jobs.[2]

Several tentative conclusions have been advanced as to other effects of employment guarantees. If they are financed by reserves withdrawn from distribution during periods of high-level employment, they will presumably reduce consumption at such times. Accumulation of reserves adequate to assure employment in subsequent periods of recession might exert a powerful influence toward deflation and thus toward unemployment. In so far as accumulation reduced entrepreneurial returns, a similar effect might result from lessened investment and capital expansion or replacement. On the other hand, "pay-as-you-go" plans are subject to somewhat similar limitations. As Slichter has noted, managements would be encouraged—in order to prepare themselves for liabilities thus assumed—to maintain a high degree of liquidity in their assets. Efforts to attain this objective during recession, however, tend to restrict the very activities out of which additional business activity must come. Expenditures for replacement, product research, and the introduction of new ventures might readily be restrained in the face of the liquidity objective.[3]

Interest in the provision of such guarantees lagged in the period of high-level employment following World War II, so that no immediate steps were taken to implement the suggestions of the committee. Com-

[1] Entitled *Guaranteed Wages: Report to the President by the Advisory Board, Office of War Mobilization and Reconversion, Office of Temporary Controls,* Washington, Government Printing Office, 1947.

[2] For a discussion of these points, see the comments by A. H. Hansen, Paul A. Samuelson, John Maurice Clark, Edward S. Mason, and Sumner Slichter in the OWMR report; also William A. Berridge and Cedric Wolfe, "Guaranteed Employment and Wage Plans," *National Economic Problems,* No. 428, American Enterprise Association, 1948.

[3] See A. H. Hansen and P. A. Samuelson, "Economic Aspects of Guaranteed Wages," *Bulletin* 907, U.S. Bureau of Labor Statistics.

mittee proposals deserve, however, the serious consideration of all those who are interested in securing and maintaining high-level employment. Their proposed coordination of existing legislation is particularly significant, for it suggests means by which guarantees can be provided in a wide range of industries. Without such coordination, these guarantees appear to be practicable only in consumption-goods industries that can maintain a fairly even distribution of their products in good times and bad. In other words, in the absence of such adjustments, they are feasible only where they are least needed.[1]

6.0 Employment Service Functions

Employment services have a large part to play in the stabilization of employment. They are probably the major means by which ignorance of the market for manpower services must be overcome. They are also the most obvious if not the most important means of quickly increasing the mobility of manpower. Most actual hiring, in depression as well as in prosperity, takes place in hiring halls and employment offices of individual concerns rather than through employment services. But they deal with an important part of the total. And, through the expertness of their service and their contacts with a wide range of labor markets, they can perform a distinctive and highly significant function.

From this statement, it will be apparent that what are considered as employment services are those public and private agencies that make a business of bringing jobs and job seekers together. In common usage, the term does not include individual plant employment offices. It does, however, embrace both such employment services or "exchanges" as are maintained by public support and those that are operated privately as a business venture.

Until comparatively recently, most such agencies in this country were private businesses. There were not many public employment offices until after the enactment of the Wagner-Peyser Act in 1933. Some cities, counties, and a few states maintained such services, and a nation-wide system had been established as an emergency measure during World War I. It was almost as quickly disestablished immediately following the cessation of activities. Most of the offices available to those who sought work, aside from individual plant hiring facilities, were private business ventures. There were some four or five thousand such fee-charging agencies in the years just preceding expansion of the public services in 1933.

6.1 *Criticism of Private Agencies.* Many of the private agencies operating in earlier years, and an even greater proportion of the present

[1] See Earnest Dale, "Guaranteed Wages and Employment," *Southern Social Science Quarterly*, Vol. 29, No. 1, pp. 49–66.

private agencies, appear to be performing an excellent service. In some of those now operating, careful attention is given to present and future job opportunities and requirements and to the aptitudes and interests of applicants. Vocational advice is provided by competent counselors. Many of the present private services are staffed largely with personnel experienced in and drawn from public offices.

There has long been a fringe of private agencies, however, whose practices have tended to discredit the entire business. Their unethical conduct has provided a strong stimulus for the development and expansion of public services and has resulted in extensive public regulation of the whole business of job finding and placement. The principal charges made against such agencies may be inferred from the following summary of proposed Federal regulations.[1]

Certain practices are prohibited to registered employment agencies. [*All such agencies operating across state lines are required to register.*] These are: Giving out false or misleading information concerning employment opportunities or applicants for employment; charging any registration fees, or charging fees or using contract forms other than those filed with the Secretary [*of Labor*] upon request; fee splitting with employers or persons in the employ of employers; causing artificial labor turnover; sending an applicant to a job vacancy without an order for an employee or a true statement as to the conditions of employment; placing persons in immoral or unlawful employments; sending an applicant for employment where a strike or lockout exists without giving the applicant a written statement to this effect; operating certain businesses in connection with an employment agency, except as the Secretary may permit, or requiring subscription to incidental services or charging special fees except as the Secretary may permit.

State laws in a number of jurisdictions have sought to prevent many of these practices. For many years, however, such regulation was severely restricted by the decision of the Federal Supreme Court in the case of *Ribkin v. McBride* (1929), in which a statute of New Jersey that sought to limit charges in private fee-charging agencies was held to be unconstitutional. In 1941, however, the same court upheld a similar law of Nebraska, so that many states now regulate the activities of these agencies.

6.2 *Expansion of Public Services.* Beginning in 1933, there was a vast expansion of public employment agencies throughout this country. The development paralleled, in many respects, an earlier, similar expansion in the industrial nations of Europe. There, private agencies had played a minor part in job finding for many years. Such private agencies as existed were closely regulated, in part by the public services. In several

[1] Quoted from "For Federal Regulation of Employment Agencies," *Labor Standards*, Vol. 4, No. 2, March, 1941, pp. 17–18.

European nations, including Germany, Rumania, and Bulgaria, private agencies had been outlawed. Draft conventions developed by the International Labour Organization proposed regulation or elimination of private exchanges throughout the world.

In this country, the expansion of the public services was largely a result of the serious depression beginning in 1929. The movement was accelerated, after 1935, by the development of unemployment insurance, which is locally administered through these public agencies. The particular system developed in this country owes much to experience gained in Canada, where cooperation of the Dominion government with those of the provinces in joint administration of the public employment service had demonstrated its effectiveness.

6.3 *The Wagner-Peyser Act.* When, in 1933, the Federal government undertook to initiate economic recovery by financing public works in each of the 3,000 counties of the nation, an efficient nation-wide public employment service appeared essential to the success of that program. Accordingly, Congress enacted the Wagner-Peyser Act, which effected a comprehensive expansion and reorganization of the public employment service throughout the nation. The present nation-wide system of coordinated Federal-state services operates under the provisions of that act. It established a United States Employment Service in the Department of Labor. This USES is charged with responsibility for development of a nation-wide system of state offices and coordination of the work of these offices. The USES maintains rules and regulations for their efficient cooperation, requires uniformity in their administrative and statistical procedure, and provides facilities for publication and interoffice communication and for clearing information respecting labor needs and supplies among the states.

The Federal agency is aided by a Federal advisory council, made up of representatives of employers, employees, and the public. State systems are required to establish similarly constituted state advisory councils in each state. The act establishing the service provides Federal subsidies for state services that meet standards established by the Federal service.[1]

To meet the unemployment problems characteristic of 1933 and to find and place unemployed in the vast public-works program then contemplated, the Wagner-Peyser Act provided for an emergency Federal service. This *National Reemployment Service* established offices in all states that did not have an adequate public service and maintained them, in some cases for several years, until state services were established or expanded and met necessary standards for participation in the nation-wide cooperative program. More than three thousand NRS offices were established

[1] See Dale Yoder, "Reorganizing the Public Employment Service," *Bulletin of the Harvard Business School Alumni Association*, Vol. 2, No. 2, February, 1935, pp. 81–87.

by January, 1934. Thereafter, the National Reemployment Service contracted as state services meeting the new standards were expanded. In 1938, this process was complete and NRS was discontinued.

6.4 *Public Offices in World War II.* During World War II, the entire system of Federal-state cooperative offices was "federalized." On January 1, 1942, the organization as a whole was placed under the direction of the Social Security Board. Later, the federalized service became the Bureau of Placement of the War Manpower Commission. In this capacity, the service performed many significant functions, including: (1) interpretation and explanation of WMC policies, programs, and regulations to localities throughout the nation; (2) development of local management-labor stabilization agreements; (3) recruitment of manpower for war industries; (4) collection of information as a basis for labor market area classification; (5) control of transfers of manpower from one area to another; (6) importation of manpower from outside the nation; and (7) general supervision of the mobilization and allocation of manpower to meet wartime needs. One of the most unusual wartime developments in which the service had a part involved creation of the National Roster of Scientific and Specialized Personnel. The Roster sought to list and classify all professional and specialized technical persons throughout the nation for speedy reference and recommendation to war agencies. It was discontinued in 1947.

During later years of the war, as WMC regulations became increasingly restrictive, the employment service imposed these restrictions in local labor markets. In this program, the service inevitably created resentment. Many firms felt that they were unfairly treated. Employees and unions were frequently offended by some of the programs and regulations. At the same time, the shift in function, by which the service ceased to be a job-finding agency and became a recruiting and regulatory service, resulted in the loss of many valuable staff members. As a result, when war ended, much of the progress toward a good public service, achieved during prewar years, had been lost.

Since the war, steps have been taken to regain earlier levels of usefulness and efficient performance. Local offices were returned to the states on January 1, 1947. The five years of Federal control plus the wartime experience provided a basis for some new programs, of which the regular reporting of local labor market information is an excellent example. Led and directed by the USES (which was transferred to the Department of Labor at the close of the war and then to the Federal Security Administration in 1948 and back to the Department of Labor in August, 1949), local offices now compile and release statistical summaries of employment, unemployment, and wages, with some breakdown by major industry groups. At the same time, they have sought to improve their job-finding

and placement facilities and to regain their public acceptance as essential public services.

7.0 Unemployment Compensation

The most direct and obvious public measure designed to aid in the alleviation of distress occasioned by unemployment is unemployment compensation. As conceived and developed in older industrial nations, its major purpose was the systematic allocation of relief. The present United States version of the device combines relief provisions with others designed to prevent unemployment. This emphasis on prevention is distinctive.

In essence, all types of unemployment insurance provide for the collection of premiums or taxes or contributions from employers, employees (in some cases), and government (in some cases), together with a system of benefits to be paid to those who become unemployed under prescribed circumstances. The term "compensation" is probably preferable to "insurance," for the latter carries a connotation of actuarially determined risks and premiums adapted to these risks, a condition that is only approximated in the public provision of benefits for unemployment.

Those who emphasize the preventive function of unemployment compensation suggest four methods by which such provisions may accomplish this end. The first and most obvious is the requirement that the unemployed make use of a comprehensive system of free public employment offices. To the extent that employees are placed, this requirement tends to prevent unemployment. A second manner in which unemployment compensation programs aim to prevent unemployment involves provision of incentives to employers to maintain steady employment. Unemployment insurance provisions in most states and territories of the United States include an "experience rating" arrangement calculated to stimulate activity among employers to stabilize employment in their various concerns and industries. Employers may secure a reduction in taxes assessed against them if compensation chargeable to them is reduced. Third, unemployment compensation is regarded as maintaining a higher minimum level of demand than would prevail in its absence, thus sustaining business and employment.

Finally, unemployment compensation is expected to reduce and prevent unemployment in a more subtle manner, for it is urged as a means of limiting the psychological aspect of business depression. Advocates of the device argue that unemployment often begets increasing unemployment, in that, once started, it reduces consumer demand and thereby forces increasing numbers of plants and employees into involuntary idleness. They assert that fear of this result is in itself an effective cause of recession, that when signs of increasing unemployment appear, business-

men everywhere, anticipating the chain of consequences just described, begin curtailment of operations. Consumers follow their example, even though they have felt no actual reduction in income. Unemployment compensation, they insist, can remove or greatly restrict the usual effects of this psychological factor. The fact that there are reserves ready and waiting to maintain the purchasing power of employees who are forced out of employment will, at the same time that it actually sustains this demand, reassure business leaders and the public. Their confidence may thus obviate the assumed necessity for drastic restriction of credit, production, and consumption.

7.1 *Early Systems of Unemployment Insurance.* Antecedents of unemployment compensation may be seen in benefits long provided by trade-unions for members who were forced into temporary periods of idleness. The exact origin of such benefits is not known, but many labor organizations had provided them, especially in European nations, before the beginning of the nineteenth century. They were a common feature of trade-unions in England, Germany, Austria, Belgium, Norway, Sweden, and Denmark by the middle of that century. Similar provisions did not become common among American labor organizations, however, and unemployment benefits have generally been restricted to local unions.[1]

In Europe, the first extensive system of public unemployment insurance was undertaken by the city of Ghent in 1898. By 1914, there were some 29 public funds established for this purpose in a total of 101 localities throughout Europe. In 1909, two years after state subsidization had begun in Belgium and Denmark, a beginning was made toward a centrally controlled program in England.

7.2 *Canadian Provisions.* Canada sought to provide unemployment compensation by law in 1935. It set up a national employment service, provided for a nation-wide system of rehabilitation, and proposed unemployment compensation for all industries except farming, fishing, domestic service, seasonal occupations, the professions, and public employments. The act was, however, held *ultra vires* by the Dominion Supreme Court on June 17, 1936. In 1940, the British North American Act was revised to permit such legislation. A bill providing a system of unemployment compensation somewhat similar to that of Great Britain became law in the same year.

In the Canadian system, covered employees are issued insurance books, in which records of employment and contributions are maintained. Contributions and benefits are scaled according to a system of wage classes. Employees in agriculture, forestry, fishing, lumbering, stevedoring, domestic service, public and charitable institutions, and the public

[1] See D. P. Smelser, *Unemployment and American Trade-unions*, Baltimore, Johns Hopkins Press, 1919.

service are excluded, as are monthly paid employees who earn more than $3,120 per year and weekly wage earners who receive more than $2,400 per year. Approximately three million employees are presently included in the coverage of the act.

7.3 *Social Security Act.* In the United States, the present extensive system of unemployment compensation, extending throughout all states and several territories (48 states, District of Columbia, Alaska, and Hawaii) is directly attributable to provisions of the Social Security Act of 1935.

In the years following establishment of public unemployment insurance in European nations, many bills providing for compulsory unemployment insurance were introduced in state legislatures and in the Federal Congress. Whenever effort was made to secure action by a state legislature, it encountered the argument that no single state could take such action without injuring its employers in their competition with those in other states. That argument effectively prevented state legislation until 1932, when Wisconsin initiated state legislation. The Social Security Act of 1935 (and the Railroad Unemployment Insurance Act of 1938, which provides coverage for employees in interstate transportation) allow the Federal government to assume leadership in the movement.

7.31 *General plan.* In general, the Act sought to overcome arguments against state programs of unemployment compensation by providing an incentive for states to establish such systems. This result is accomplished by levying a Federal tax on payrolls and providing an "offset" by which states may retrieve most of these taxes (up to a maximum of 90 per cent) by providing satisfactory unemployment compensation programs. In other words, taxes are payable (in the amount of 3 per cent of the payroll up to a maximum of $3,000 of annual earnings for each employee) whether or not a state unemployment compensation program is in effect. If, however, there is such a state program which meets requirements as to standards established by the Social Security Board, then a maximum of 90 per cent of these taxes may be credited to the state to finance the state program. Reductions in taxes on an individual employer secured by his "merit rating" may be counted at though paid against the Federal levy. Under these provisions, it is nos surprising that unemployment compensation legislation was enacted in all states within three years following passage of the Social Security Act (except that Wisconsin had anticipated the Federal law by legislation that became operative in 1936).

7.32 *Contributions.* Under the Federal law contributions are collected only from employers. With stated exceptions, the Act assesses a payroll tax of 3 per cent (scaled during the first three years of the law) against wages and salaries up to the stated maximum for each employee,

regardless of the size of the establishment. State laws introduce a number of variations. While most of them collect contributions only from employers, two states (Alabama and New Jersey) collect from employees as well. The most common maximum state tax rate is 2.7 per cent, or 90 per cent of the Federal levy. State provisions vary as to the size of firms included; twenty-two states include only firms having eight or more employees; two states include only those with six or more; eight states only those with four or more; two states only those with three or more; and twelve states include those with one or more. The Federal act excludes agricultural employees, domestic servants, government employees, and employees of charitable and nonprofit institutions. While most states maintain the same exclusions, some have extended coverage to other groups of employers and employees. All funds collected by the states must be deposited in their individual accounts in the unemployment trust fund in the Federal treasury. They can be drawn upon only to pay unemployment benefits.

7.33 *Coverage.* Coverage provided by present laws is indicated in the summary of tax provisions. It varies from state to state, for coverage is provided only for employees who are included in the taxation program of the state. Excluded occupations are not covered, nor are employees of firms smaller than those specified as the minimum for purposes of taxation. In addition, eligibility to receive benefits varies also with respect to requirements as to length of employment and accumulated wage credits. While almost fifty million employees have secured wage credits in the various states, less than forty million are in an "insured status."

7.34 *Benefits.* There are no uniform benefits throughout the nation, for each state establishes its benefit requirements and its maximum of benefit payments. Maxima have changed somewhat to meet changes in the cost of living, but range from $15 to $40 per week in the various jurisdictions. Five states provide dependents' allowances in addition to a basic benefit (Connecticut, District of Columbia, Massachusetts, Michigan, and Nevada). Benefits are not payable for periods of unemployment without limitation. In 18 states, the maximum period ranges from 21 to 26 weeks in any year; in 22 states, the maximum is 20 weeks; in 11 states, the maximum is less than 20 weeks. Thirty-five of the jurisdictions also limit the length of time benefits can be drawn by relating it to previous earnings; in fifteen, there is no such restriction.

7.35 *Eligibility.* Most states have strict rules defining eligibility for benefits. The applicant must register at a public employment office as a candidate for employment. He must have earned a specified wage credit or been employed in a covered employment for a specified period. He must be willing to accept employment in a "suitable job." This

"suitable work" requirement has been the subject of bitter controversy in several jurisdictions. Does it mean that the applicant must be offered a job similar or identical to that which he has lost? If he is a union member, must the job be one that employs only unionists? If the job offered requires less of the applicant's skill or talent, is it therefore unsuitable? If the job pays a wage rate lower than that earned on the previous job, is that fact significant? If the job offered pays a wage lower than the going wage for similar jobs in the community, does that make it unsuitable? These are only a few of the questions currently raised with respect to the "suitable work" requirement.

At the same time, a number of conditions may disqualify the applicant. He is disqualified if he left his last job without good cause, if he was discharged for misconduct in connection with his work, or if he is idle because of a strike in which he was directly engaged. (In some jurisdictions, this latter specification disqualifies the applicant for a stipulated period, after which he becomes eligible.) State laws provide for appeals to an administrative agency and/or to the courts in cases of dispute as to eligibility.

7.36 *Waiting periods.* Benefits do not become available immediately upon unemployment in most states. Rather, a waiting period, commonly one or two weeks, is required. This provision is intended to conserve funds for more serious unemployment and to reduce administrative expense by limiting the number of compensated cases.

7.37 *Merit or experience rating.* As has been noted, merit rating is a somewhat distinctive provision of unemployment compensation programs in the United States. In early discussions, many proposals suggested that all unemployment compensation funds be maintained by the states on the basis of "individual firm accounts," and that benefits should be drawn only against these accounts. Other suggestions favored "pooled reserves" for each state, in which all funds would be held and from which all benefits would be paid.

Merit or experience rating is the means devised to permit pooling and, at the same time, provide an incentive for employment stabilization. Through merit rating, an individual employer may reduce the taxes assessed against him by whatever influence he may exert to restrict claims for benefits drawn against his account. Even though funds are pooled, individual employer accounts are maintained. Unemployment benefits are charged against these individual accounts, which therefore reflect the "experience" of the employer. Tax rates are varied in terms of this experience. While specific provisions vary from state to state, taxes may be reduced by this means from a maximum of 2.7 per cent of eligible payrolls to a minimum of 0.5 per cent in most states. Results of this provision can be seen in the fact that the average tax rate for the entire

nation has been less than 2.0 per cent for several recent years. For the program as a whole, approximately 25 per cent of the total of taxes collected have been paid out as benefits. Hence reserve funds have increased rapidly.

Merit-rating provisions have been under fire since the establishment of the unemployment compensation program. Greatest opposition to them has come from labor organizations, which have argued that the merit-rating system causes employers to oppose more liberal benefits. Many employers join in this opposition. They argue that most unemployment is not something that can be controlled by the individual employer, that it represents the results of forces beyond his control, and that the burden of taxation for unemployment benefits should be shared by all employers on an equal basis.

While some employers have grasped the opportunity to gain an advantage from the savings made through employment stabilization, much of the record made by others must be attributed to conditions beyond their control. Thus, for example, if employees are versatile and apt at finding other employment, or if local labor market conditions are favorable, an employer's reserve ratio is thereby improved or maintained at high level. Critics of merit rating point to these conditions as evidence that differential taxation is inequitable.

7.38 *Criticisms of current programs.* Criticisms of unemployment compensation provisions most frequently point to the limited coverage of existing plans, present limitations on benefits—both in absolute amounts and in maximum duration—merit rating, and pressures to restrict liberalization requirements for eligibility, particularly disqualifications.[1] Question is also raised as to the proper operation of the system of taxation, in that it appears to levy lowest rates and smallest absolute amounts in periods of high-level business activity. Tax rates must advance whenever unemployment becomes extensive. Original plans sought to establish reserves through taxation in such periods to compensate unemployment in periods of recession.

Under present provisions, it is estimated that unemployment compensation provides benefits for about one-third to one-half of all day-to-day unemployment. A very large portion of such unemployment is of short duration, not extending beyond the waiting period. Another large portion of that which is thus excluded from compensation involves the self-employed, those who have worked in smaller establishments, and

[1] For a summary of these criticisms and suggestions for changes, see "Unemployment Insurance—A Report to the Senate Committee on Finance from the Advisory Council on Social Security," 80th U.S. Cong. 2d Sess., Washington, Government Printing Office, 1948; "Report of the Advisory Council on Unemployment Compensation," Washington, Government Printing Office, 1949.

those whose employment is in occupations excluded by Federal and state provisions. Some unemployment is uncompensated because of disqualification provisions. Critics propose to extend coverage by reducing bases for disqualification and—more extensively—by bringing additional occupations within the coverage of Federal and state laws. Steps to accomplish these results have been taken in several states.[1]

Limitations on benefits have been widely criticized since earliest years of this legislation. Current payments appear to average about one-third of wages. These calculations are questionable, however, because they are based on comparisons of average weekly benefits with average weekly wages. Those who oppose "liberalization" argue that payments are more nearly 50 per cent of wages for those actually receiving them, because lower wage employees are more extensively unemployed. Only careful studies can provide a dependable answer to this argument. Moreover, the question of an appropriate relationship between benefit levels and wage levels involves basic assumptions with respect to (1) the purpose of unemployment compensation, and (2) how high such benefits can be made without encouraging idleness.

These same assumptions have direct implications also with respect to the tendency of merit rating to restrict liberalization of benefits. Little question can be raised as to the reality of this effect. On the other hand, proponents of merit rating insist that if the system is to be "policed" by employers—as apparently contemplated by framers of the legislation—some such incentive must be provided.

More general agreement supports demands for revision of disqualification provisions. While proposals to lengthen periods of compensation and to liberalize "suitable work" provisions are hotly contested, current rules that tend to restrict employee mobility find few defenders. Disqualification for changing employers and for moving across state lines appears to be on the way out.

Many students of social security are concerned also by the tendency to reduce tax receipts during periods of prosperity. They point to the fact that tax rates will presumably rise when unemployment grows, thus exerting a double impact on consumption and over-all demand. In effect, this situation reflects the influence of outside factors on merit rating noted in an earlier section. Some more accurate means of measuring the success or failure of employer efforts to stabilize would at least partially overcome these difficulties.

Criticism leveled at the accumulation of reserve funds, which have grown appreciably in each year since the program was placed in operation,

[1] See "Proceedings of a Conference on Social Security" held at the University of Wisconsin, Nov. 4 and 5, 1949, Madison, University of Wisconsin Industrial Relations Center, 1950.

tends to overlook the fact that experience in depression might reverse this process. Calculations indicate that income to the funds should probably equal three to four times disbursements in years of prosperity and high-level employment, for they may be expected to represent less than one-third of such payments in periods of serious cyclical unemployment.[1]

7.39. *Economic implications.* What are the effects of unemployment compensation, aside from the provision of benefits and of incentive for employers to stabilize employment? How will the program affect the frequency and amplitude of business cycles? How does the accumulation of reserve funds affect incomes and purchasing power of employees? These and related questions deserve careful consideration and study.

As one step toward the answers to such questions, attention may be directed to the incidence of the payroll tax by which the program is financed. On whom does this tax actually fall?

It will be recalled that, in all but two states, taxes are collected from employers only. Moreover, most of the state laws and the Federal act expressly provide that such taxes shall not be deducted from wages. Most popular opinion appears to assume that taxes will merely be added to prices and passed on to consumers. It is, however, unlikely that their incidence is so simple. Rather, where the final burden falls depends in part upon the then current economic position of the industry—whether it is expanding or contracting—the nature of the demand for its products, and the relative freedom of competition in various labor markets. Were all such markets perfectly competitive, a major portion of such taxes would presumably be deducted from wages. For the tax is a deduction from the net marginal productivity of manpower. Employees would, in other words, be worth less if an employer must pay a tax in addition to wages. Such a deduction from wages would probably not be made in an obvious manner but would be gradually effected as wage rates moved up and down over a period of time.

It is probable, however, that the incidence of the cost of compensation varies from one industry and occupation to another, that in some it falls almost all or entirely upon wages, in others, upon profits, and in still others upon consumers. Much depends upon the elasticity of demands for products and the degree of monopoly exercised by the employer and by labor. In many cases, the tax burden may be divided. Conditions under which each of these results is to be expected have been described.[2]

[1] See, in this connection, Charles A. Myers and W. Rupert Maclaurin, "After Unemployment Benefits Are Exhausted," *Series* 2, No. 8, Department of Economics and Social Science, Massachusetts Institute of Technology, 1942; Carl W. Strow, "The Cost of Unemployment Compensation," Chicago, Research Council for Economic Security, 1947; Lewis Meriam, *Relief and Social Security*, Washington, The Brookings Institution, 1946.

[2] See for example, Domenico Gagliardo, "The Kansas Labor Market, with Special Reference to Unemployment Compensation," *Humanistic Studies*, Vol. 7, No. 1, Lawrence,

There are two distinct schools of thought, so far as opinions as to the probable effects of unemployment compensation upon employment and unemployment are concerned. Advocates of such compensation have generally assumed that its provision will have a tendency to reduce unemployment. They expect it to achieve this end, as has been explained, by (1) supporting the level of business and consumer confidence and thus preventing curtailment of industrial and commercial activity, (2) sustaining the purchasing power of wage earners, and (3) encouraging employers to maintain stable employment.

Effects of unemployment compensation may, however, tend to increase rather than to decrease the total of unemployment. Those who believe it has this effect insist that their opinion is supported by the history of several European nations. They argue that compensation tends to increase unemployment in part by encouraging many employees to accept benefits rather than to make a serious effort to find work or to accept employment at wages below prevailing levels. It thus creates what has been called a "reservation wage." Employees prefer to reserve their services rather than to sell them. This tendency may be increased in a period of falling prices.

A similar failure to deflate wages in line with prices in some industries may also encourage the more rapid substitution of machines for men. This effect may be increased in significance by the fact that the method of financing unemployment compensation in itself encourages such substitution. The plant that utilizes machines instead of men achieves the advantage of reducing payroll taxes.

A somewhat similar effect upon employment may result from the tendency of unemployment compensation to "freeze" employees in one job or one locality. This effect has been countered, in recent years, by interstate agreements permitting payments of benefits to those who have moved to other localities.

Much has been said as to the effects of the reserve funds upon business and employment. No practicable means of "sterilizing" these funds has appeared. If they are not sterilized, they may create political and economic problems, particularly when they are considered in connection with the reserves set up under old-age pension provisions of the Social Security Act. Unemployment reserves have amounted to more than 8 billion dollars, while those for old-age pensions could total several times that amount. Some of these difficulties might be avoided if funds were translated into non-interest-bearing securities. Under present arrange-

University of Kansas, 1937; Russell Bauder, "The Probable Incidence of Social Security Taxes," *American Economic Review*, Vol. 26, No. 3, September, 1936, pp. 463–465; Dale Yoder, "Some Economic Implications of Unemployment Insurance," *Quarterly Journal of Economics*, Vol. 45, No. 3, August, 1931, pp. 622–639.

ments, it appears that cyclical fluctuations may be increased as merit rating encourages lower taxes and less rapid accumulation of funds during good times. Meanwhile, their liquidation in depression might exert a deflationary influence and seriously interfere with treasury policy.[1]

Merit rating may also encourage employers to stabilize employment at lower levels than would otherwise prevail, although little evidence of this effect is apparent. In an effort to avoid responsibilities for benefits that would accrue from a failure to provide steady employment, managers may prefer not to offer temporary positions at peak periods, but to resort to overtime work instead. Widespread payment of premium rates for overtime, required under the Fair Labor Standards Act, tends to counterbalance this influence.

Effects of unemployment compensation on long-term employment are obviously complicated. Experience to date is too limited to provide conclusive evidence on many pertinent questions. Opportunities for study are numerous and deserve careful consideration by all interested students.

8.0 Dismissal Compensation

Another device that is somewhat related to unemployment compensation is that generally described as dismissal compensation or severance allowances. The device provides funds that are granted to employees who are dismissed from a job, provided such dismissal is not for misconduct or other cause. Although such provisions are not compulsory by law in any jurisdiction in the United States, they have been made compulsory in a number of European and Central and South American countries. In this country, they have been maintained for many years by some managements on their own initiative and specified by collective agreement between managements and unions in other cases.

Plans vary widely in detailed provisions. Some provide a flat amount of compensation; others scale the amount according to several factors, of which length of service, most recent wage or salary, and age are the most common. Some plans provide for a lump-sum payment at the time of termination; others spread the amount over a number of monthly increments.[2]

[1] As of October, 1948, the old-age and survivors' insurance trust fund held a balance of $10,363,147,000. Total assets of the unemployment trust fund on that date were $8,334,837,000. An additional $950,143,000 was held in the railroad unemployment insurance account. The status of these funds is regularly reported in the *Social Security Bulletin.*

[2] For details, see Everett D. Hawkins, *Dismissal Compensation—Voluntary and Compulsory,* Princeton, N.J., Princeton University Press, 1940; also his *Dismissal Compensation in the War Economy,* New York, Social Science Research Council, 1942; "Dismissal Pay Provisions in Union Agreements," *Monthly Labor Review,* Vol. 60, No. 1, January, 1945, pp. 47–57; also frequent reports from the National Industrial Conference Board.

Dismissal pay can aid in softening the impact of unemployment. It may provide funds with which discharged employees can travel about and look for jobs. Funds available immediately upon loss of employment may be especially helpful in the waiting period before unemployment compensation is available.

9.0 Vocational Guidance, Training, and Retraining

Basic to much of the total volume of unemployment in depression and prosperity is the limited mobility of manpower. Potential employees and jobs simply do not get together. This is not because of a smaller number of jobs, in many cases, but because those who seek employment are not qualified for or do not know about such jobs as are immediately available. Employment exchanges have a large part to play in overcoming this situation. They can gather information on job opportunities in labor markets and call these facts to the attention of applicants for jobs. They can aid in fitting manpower supplies to demands for manpower.

Vocational guidance is another important means of achieving balance in labor markets. The process of vocational guidance is essentially dual. It consists of discovering the interests and aptitudes of individuals on the one hand, and of discovering the requirements of various jobs and their present and future prospects, on the other. More appears to have been done in appraising individual interests and aptitudes than in attacking the other half of the equation. The necessity of noting trends in jobs is apparent. Forecasts of the need for manpower in various jobs are predictions of job opportunities. If such forecasts are reasonably reliable, they provide a basis for advising employees or future employees as to the jobs or types of jobs they should seek, where such jobs may be obtained, and appropriate training and experience for them. That is an important phase of the job of the vocational counselor.

Vocational guidance has an especially great opportunity in connection with "threshold" employees or members of the labor force—new additions who have not yet held a job or established the basis for their employment career. More than half a million such threshold applicants enter the labor force each year. They frequently encounter difficulty in finding a first job and may seek and find employment in a field that offers little promise of continued employment or future advancement that is consistent with the individual's aptitudes and interests. Vocational guidance at this point or even earlier, as young persons are pointing toward vocational choices, might result in more satisfactory first placements and prevent the intermittent employment and unemployment that follow placement in an unsatisfactory job.

Vocational training programs may exert a similar influence. If such

training is available only for a limited range of occupations or for jobs that are "on the way out," the result is a contribution to future employment instability. If, on the other hand, such training makes use of sound forecasts of job opportunities and offers training designed to prepare for jobs that have an expanding future, an effective contribution can be made.

QUESTIONS AND EXERCISES

1. Discuss the possibilities and limitations of reducing unemployment through wage adjustment.
2. Contrast possible effects of general and discriminatory wage reductions in periods of recession.
3. In periods of cyclical unemployment, what would the probable effects be of a general reduction in wage rates?
4. What can be said of the probable influence of full employment on price levels?
5. Distinguish relief and preventive measures designed to cope with problems of unemployment.
6. Appraise experience with make-work programs in the United States.
7. Present arguments for and against use of public funds to finance made-work programs in periods of depression.
8. Explain the values of advance planning of public works.
9. Describe the activities of cooperative self-help programs in alleviating distress occasioned by unemployment.
10. Appraise proposals for work spreading as a means of reducing unemployment.
11. What is meant by "economic planning"?
12. Cite and evaluate experience with economic planning as illustrated by the NRA and the Bituminous Coal Act.
13. What steps can be taken by individual managements to stabilize employment?
14. Describe the usual provisions of guaranteed employment plans.
15. How would a nation-wide system of guaranteed employment probably affect cyclical unemployment?
16. What are the possibilities of wide expansion in the application of guaranteed employment plans?
17. What criticisms have been leveled at the operation of some private employment agencies?
18. Describe the present organization of public employment offices in the United States.
19. How may public employment offices assist in alleviating problems of unemployment?
20. What are the basic purposes of unemployment compensation in the United States?
21. Describe the plan for unemployment compensation established by the federal Social Security Act.
22. Evaluate the probable influence of unemployment compensation on cyclical fluctuations in business.
23. Outline major provisions of current unemployment compensation legislation, mentioning coverage, eligibility, benefits, waiting periods, and merit rating.
24. Present arguments for and against federalization of the unemployment compensation program.
25. Outline arguments for and against merit rating for unemployment compensation.
26. Evaluate major economic implications of unemployment compensation as currently provided in the United States.
27. Explain the usual provisions for dismissal compensation, and evaluate such programs.
28. Show how provision of vocational guidance and training may assist in solving problems of unemployment.

Chapter 10
Employment Conditions

Attention turns, in this chapter, to some of the working conditions within which employment relationships generally described as "industrial relations" take place. Why are these conditions important? How are they related to the goals of modern societies? Why do they deserve attention in considering the manner in which modern societies regard, utilize, and conserve manpower resources?

Before answering any of these questions, it may be noted that conditions within which employees work are certainly not uniform. As has been noted in an earlier chapter, about one-fourth of the labor force is employed in mills and factories. This is the group to which most attention has been given in consideration of working conditions. But large numbers are also working on trains, busses, airplanes, and ships; another large group is employed in agriculture; and still others work in offices or in retail and wholesale stores, banks and other financial institutions, service stations, beauty parlors, hotels and movies. Several million are in professional jobs. Others are self-employed. Obviously, working conditions are not uniform and alike for all these members of the labor force.

Nor is modern society uniformly interested in all these different working conditions. Relatively little concern has been expressed about the conditions in which agricultural employees perform their tasks, or about the working conditions surrounding employment in professional jobs or in self-employment. On the other hand, modern society has expressed concern about conditions of employment in factories, in mines and mills and offices, and in the transportation facilities of the nation. There are several reasons for this concern.

A primary consideration may be regarded as selfish or "self-protective." The welfare of other citizens and of society as a whole may be affected by these conditions of employment. If railroad or airline employees or bus and truck drivers work too long without rest, they may constitute a serious hazard to passengers and other traffic. If employees are injured or become diseased on a job, they may not be able to support themselves and may require public support. If men or women work long hours, they may be reluctant to assume obligations of citizenship, to study issues and vote intelligently, to serve on school boards or as political officials—a service that is necessary for citizens in a

democracy. Long hours may also interfere with normal family life, reducing the strength of family ties and destroying the educational functions and social control exercised by parents.

Related to these considerations is a recognition that working conditions directly influence both the utilization and conservation of manpower resources. Dangerous conditions in workshops, plants, or offices may be a source of accidents or illness that is reflected in absenteeism and tardiness or in lowered efficiency on the job. Long hours may result in the "wearing out" of manpower. Work-incurred disabilities may shorten the productive lifetime. Such results are socially costly. Societies seek to prevent such premature "scrapping" of human resources.

At the same time, there is a humanitarian element in this concern. Citizens realize that industrial employees may spend more waking hours in the environment of their jobs than anywhere else. Eight hours out of each twenty-four on work-days, forty or more hours each week, are spent in the work place. If sleep accounts for an equal amount, the remaining third must include all family and home contacts, recreation and amusement, and civic and other responsibilities. The relative importance of working conditions is apparent.

1.0 Major Problems

While hazards of employment might be variously classified—for they include a wide range of physical and social elements or factors—modern society has given greatest attention to two types of problems arising from these conditions. As has been implied in preceding paragraphs, these are problems of health and problems of working hours. Both health hazards and long hours of work have been regarded as significant labor problems arising out of employment conditions. Societies have established as goals the reduction of these hazards.[1]

1.1 *Health Hazards in Industry.* Two principal types of health hazards are clearly recognized. One is the hazard of industrial accidents, the danger of injury on the job and resulting from the nature of the job. The second is the hazard of industrial illness or disease, the danger of contracting particular forms of illness that are fostered or encouraged by conditions under which work is performed. Most modern societies have set goals that seek to reduce or if possible eliminate these hazards. That they have not achieved these goals is evident from the record.

1.11 *Differential death rates.* Perhaps the best evidence that these hazards exist is to be found in differentials in life expectancies for various occupational groups. The same evidence indicates that great progress has been made in reducing the significance of these hazards.

[1] See, in this connection, Oscar R. Ewing, "The Nation's Health, a Ten Year Program," Washington, Social Security Administration, 1948, p. xii.

The Metropolitan Life Insurance Company, for example, reports[1] that when the company initiated its series of life tables in 1911, insured wage earners had an expectation of life 6.41 years less than that of the general population. By 1940, the differential was less than one year. Fig. 10.1 indicates differing death rates by occupational class in 1930. No such chart would be appropriate today, for differential death rates have changed. For some industrial occupations, wage earners now have as great an expectation as nonwage earners. In others, a significant differential persists. For example, while the average age at death for the

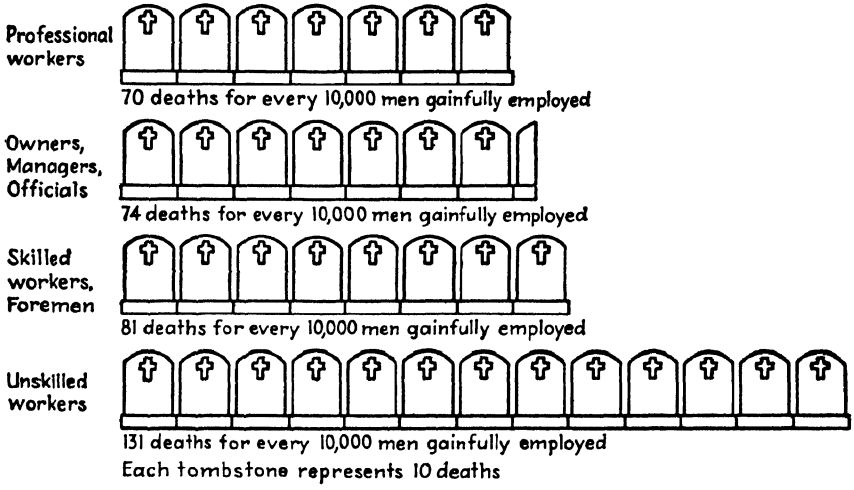

FIG. 10.1. Death rates by occupational groups, 1930. (*United States Public Health Service.*)

general population is approximately 64.2 years, that for coal miners is 55.8 years. The death rate for miners is 15.1 per 1,000 as contrasted with 10.3 for the general population.[2]

On the other hand, the rapid increase in life expectancies of employees deserves special comment. Figure 10.2 indicates the changes that have taken place since the turn of the century. In the past fifty years, as may be noted, expectancies for male employees of age twenty have increased five years. Estimates indicate that a further increase almost as great is to be expected by 1975. Active participation in the labor force does not show a similar increase because of earlier and more common retirement.

Even where life expectancies have improved to the point where there is no significant differential, this development does not justify the con-

[1] "Longevity Almost Doubled in Six Decades," *Statistical Bulletin*, Vol. 23, No. 5, May, 1942, p. 4.

[2] *Chester Wright's Labor Letter*, Feb. 12, 1949.

clusion that special health problems are no longer significant. On the contrary, statistics reporting time lost from employment on account of accidents and illness clearly indicate the waste resulting from these conditions. What has happened in these cases is that lifetimes have been extended, but many of those who live to enjoy the extra years suffer from industrial illness or accidental injury.

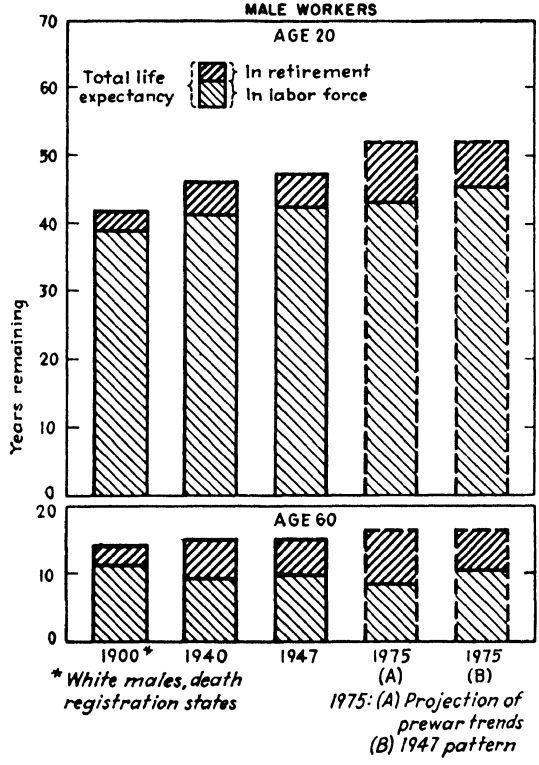

FIG. 10.2. Increasing life expectancies—male employees, 1900–1975. (*From the Federal Bureau of Labor Statistics Chart Series.*)

1.2 *Hours of Employment.* A second major problem of working conditions is that involved in the timing of work. This problem or group of related problems is generally described as that of working hours.

Social concern with hours of work involves two major considerations. One is the efficient utilization of manpower. The other reflects the influence of working hours on the social and political activities of employees. Social goals or objectives seek efficient manpower utilization and conservation. They propose to reduce to a minimum the loss or waste occasioned by inefficient hours of employment, hours that are too short, too long, or scheduled in a manner adversely affecting the

performance of employees. At the same time, these social goals recognize the relationship between hours of work and the time and energy available for home life and participation in community affairs. Effective democracy requires that citizens have time and energy for home and community. Working hours may interfere with these activities and responsibilities of citizenship.

2.0 Industrial Accidents

Industrial accidents account for some sixteen to seventeen thousand deaths each year. In addition, there are more than two million disabling injuries on this account, of which almost one hundred thousand represent some type of permanent impairment. In addition also are the several million minor injuries, each of which occasions absence of less than one day.

These are the approximate statistics of accidents. Of course, they fail to describe the suffering, the family insecurity, and the dollar costs of work interruptions occasioned by accidents each year.

2.1 *Accident Statistics.* Measurement of industrial accidents is in itself a complicated process. Accidents may be counted, as indicated above. Their *frequency,* the number of accidents per hour or day or year of exposure, may be readily noted. But frequency is but one and a very crude measure. For accidents vary widely from the simple cut or scratch that may be mildly annoying to the serious accident involving death or permanent disability. How may this *severity* of accidents be appraised and included in the statistical summary and analysis of accidents?

Time lost as a result of an accident is the most widely accepted measure of severity. This measure is subject to challenge, however, since some employees may be inclined to take more time for convalescence than others. Also some employers or collectively bargained agreements may be more generous with respect to accident benefits and leave-of-absence provisions. Such differences would be reflected in individual plant severity rates and would thus interfere with interplant comparisons. To overcome this limitation, major accidental disabilities are given standard "lost time" weights for purposes of calculating severity rates, as indicated in Table 10.1. In addition, records and reports indicate numbers of accidental deaths, of disabilities occasioning lost time in excess of the day or shift in which the accident occurs, and of permanent total and partial disabilities.

2.2 *Frequency and Severity Rates.* Most frequently cited accident statistics include these reports of deaths and disabilities and frequency and severity rates. The frequency rate describes the number of disabling injuries or lost-time accidents per million man-hours of exposure. Disabling or lost-time injuries are those that occasion absence from work

extending beyond the day or shift in which the accident occurs. In formula form, the frequency rate is thus

$$FR = \frac{LTA}{\text{Man-hours}/1{,}000{,}000}$$

For example, in a plant in which 840 lost-time accidents occurred during 116,000,000 man-hours, the frequency rate is $^{840}/_{116} = 7.24$.

The severity rate is calculated as the total number of days lost from accidents per 1,000 man-hours of exposure. The base is reduced to

TABLE 10.1. SCALE OF TIME CHARGES FOR ACCIDENTAL DISABILITIES

Nature of Injury	*Days Charged*
Death	6,000
Permanent total disability	6,000
Arm at or above elbow	4,500
Arm below elbow	3,600
Hand	3,000
Thumb	600
Any one finger	300
Two fingers	750
Three fingers	1,200
Four fingers	1,800
Thumb and one finger	1,200
Thumb and two fingers	1,500
Thumb and three fingers	2,000
Thumb and four fingers	2,400
Leg at or above knee	4,500
Leg below knee	3,000
Foot	2,400
Great toe, or any two or more toes	300
One eye, loss of sight	1,800
Both eyes, loss of sight	6,000
One ear, loss of hearing	600
Both ears, loss of hearing	3,000

thousands of man-hours purely as a matter of convenience, so that the rate will remain a small number. In formula form, this rate appears as

$$SR = \frac{DL}{\text{Man-hours}/1{,}000}$$

For example, if in the plant mentioned above the 840 accidents occasioned a loss of 91,000 days, the severity rate would be

$$\frac{91{,}000}{116{,}000} = 0.784.$$

2.3 *Sources of Statistics.* Accident statistics are compiled by a number of public and private agencies. Most frequently cited public agency sources include the Federal Bureau of Labor Statistics and the National Office of Vital Statistics. The National Safety Council is the best known

and most active private agency providing such information. In addition, however, accident statistics are compiled by state industrial commissions (which generally administer workmen's compensation laws), private insurance companies that write casualty insurance, trade associations, and several branches of the Federal government other than those mentioned, including the Children's Bureau, Division of Labor Standards, Women's Bureau, Department of Agriculture, Civil Aeronautics Board, Bureau of Navigation and Steamboat Inspection, Bureau of Mines, Navy Department, Public Health Service, Office of the Chief of Engineers in the War Department, Interstate Commerce Commission, and the U.S. Employees' Compensation Commission.

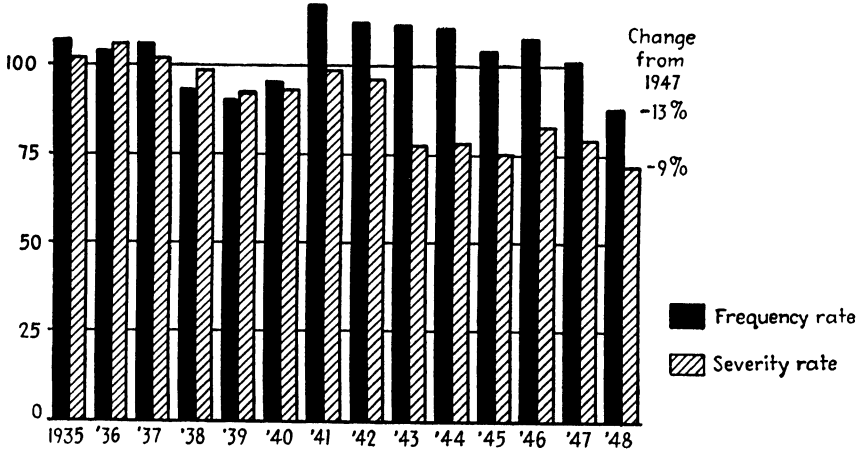

FIG. 10.3. Trends in frequency and severity rates, 1935–1948. [*Reproduced by permission of the National Safety Council from Accident Facts* (1949 *edition*), *p.* 25.]

Information collected by state agencies is not entirely comparable from state to state because of variations in requirements as to reporting. In most states, the prevailing rule requires that all accidents occasioning loss of time in excess of the day or shift shall be reported, which means that many minor cases do not appear on the records. In a few states, however, only compensable accidents are reported. That eliminates all accidents in which the injury does not cause absence from work for a stipulated "waiting period." In addition, there is the fact that a number of occupations are not included in the coverage of compensation acts. Hence, at best, only from 70 to 90 per cent of all industrial accidents get into the records in many states.

2.4 *Trends in Rates.* Long-term trends clearly evidence progress toward the objective of fewer accidents in industry. Both frequency and severity rates have declined with passing years. In 1948, for the more than 6,700 units reporting to the National Safety Council, fre-

quency rates had fallen 12 per cent below the average for the base period, 1935–1939. Severity rates had declined 28 per cent below the base period. Changes from year to year are shown in Fig. 10.3.

2.5 *Industry Differentials.* Industries show wide variation in their accident experience. Some industries—such as coal mining and lumbering—have high frequency and high severity rates. Others—meat packing is an example—have high frequency rates but low severity rates. Still others—illustrated by cement manufacturing—have low frequency and high severity rates. Finally, some industries—including communications and tobacco products—have low frequency and low severity rates. Figure 10.4 illustrates these interindustry comparisons.

2.6 *Costs.* Estimates of the costs of industrial accidents are available, but they can be only approximations. Many of the actual costs do not get into any systematized accounting. The National Safety Council estimated that total costs to industry averaged about $40 per employee in 1948. For the nation as a whole, the council estimated total costs of industrial accidents amounted to some $2,650,000,000. Wage losses, medical care, and compensation insurance cost $1,350,000,000. The remainder is the estimated cost of damaged materials and equipment and time lost by other employees on this account.

2.7 *Types and Sources of Accidents.* A wide variety of injuries results from many conditions of employment, including the actions of injured employees and those of fellow employees. Thus, in 1948, analysis of experience in 10 states by the National Safety Council found that 3 per cent of all compensated cases represented injuries to eyes, 9 per cent head injuries, 11 per cent arm injuries, 26 per cent trunk injuries, 6 per cent hand injuries, 14 per cent fingers, 13 per cent legs, 7 per cent feet, 2 per cent toes, and 9 per cent general injuries.

In one widely used classification of causes, accidents are attributed to (1) unsafe acts, (2) personal causes, and (3) mechanical causes. Most accidents involve combinations of these causes. Most common among unsafe acts is "unnecessary exposure to danger," and second most important is the improper use of equipment. Most important among personal causes are "improper attitude" and "lack of knowledge or skill." The three most important mechanical causes are hazardous arrangements or procedures, improper guarding, and defective agencies.

2.8 *Accident Prevention.* Analysis of accident experience demonstrates that nearly all accidents are preventable. In recognition of this fact, "safety" programs have become well established in modern industry. Enactment of workmen's compensation laws combined with determination of insurance rates on the basis of known hazards and previous accident experience in the plant have provided obvious financial incentives for accident prevention. In addition, state laws have required

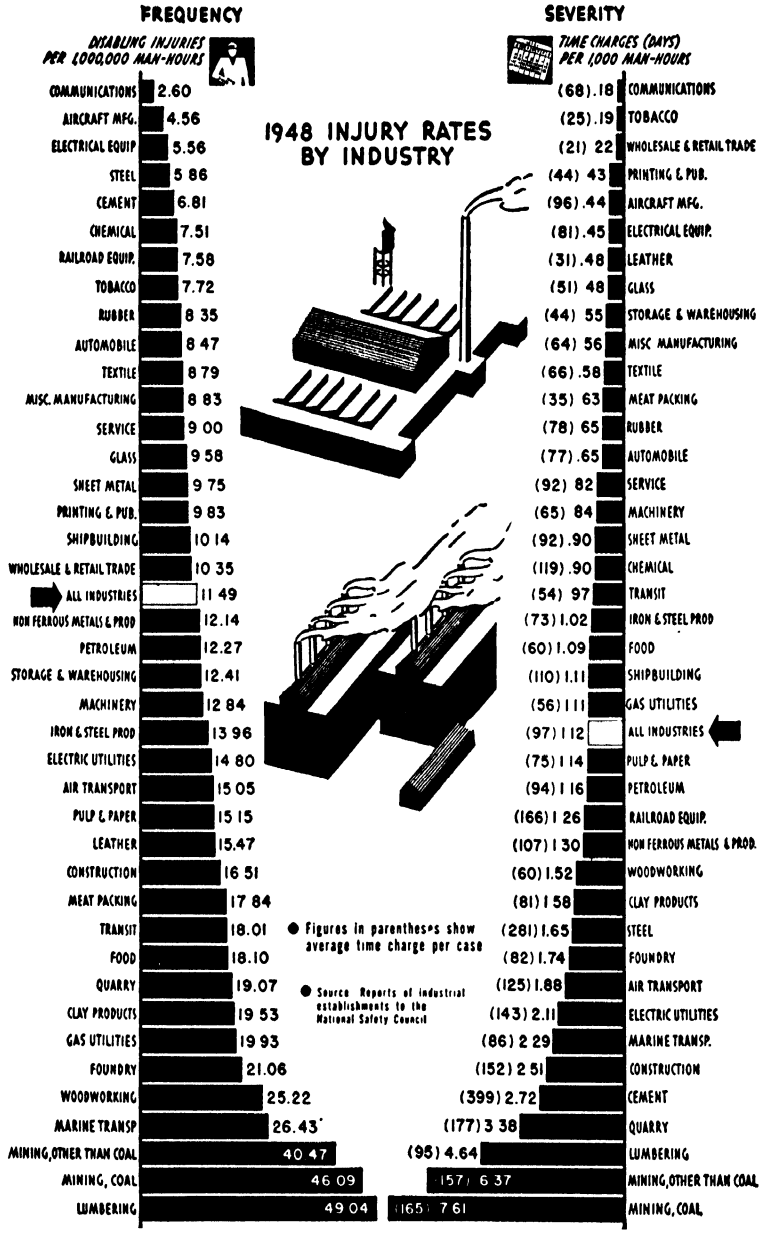

FIG. 10.4. Interindustry comparisons of frequency and severity rates. [*Reproduced by permission of the National Safety Council from Accident Facts* (1949 *edition*), *p.* 23. *For more detailed analysis, see the annual Accident Facts volume, also reports on industrial accident experience in the Monthly Labor Review.*]

safety measures and authorized public officials to enforce safety practices. Much of the reduction in frequency and severity rates is attributable to these developments.

Most states now maintain industrial safety divisions, generally associated with the administration of workmen's compensation laws. Individual firms seek, through safety training and accident prevention campaigns, to reduce the importance of personal factors in causing accidents. Safety divisions, both public and private, are on the alert to note unsafe procedures and processes and to eliminate mechanical causes of accidents.

Numerous examples of the effects of such measures might be cited.[1] Perhaps the most conclusive evidence, however, is the consistent trend toward reductions in both frequency and severity rates already noted.

2.9 *Burden of Accident Costs.* Who should be expected to bear the burden of industrial accidents? There are divergent viewpoints on this question. On the one hand, there are those who insist that employees, when they secure employment, should be willing to accept whatever risks accompany it. They also frequently insist that wages reflect accident hazards, so that employees are given extra pay for hazardous occupations. Others hold that the burden of industrial accidents should fall upon industry, that it should be borne directly by managements. This latter viewpoint usually insists that since most accidents are unnecessary, managements that permit accidents should be thus penalized. Others believe that society, the consuming public, should pay for the damages that arise out of industrial accidents, that these injuries represent a part of the normal costs of production and should be assessed as a part of these costs and included in selling prices of commodities.

2.91 *Wages and hazards.* Why, it may be asked, should we not expect that wages would reflect hazards, so that employees would receive an added increment with which to insure themselves against accidents? Is it not reasonable to expect that unusual hazards would affect labor supplies and thus force wages to include such an increment?

Proving that wage rates do not include such a premium is not simple, mainly because there is no certainty as to what rates would be if unusual hazards were eliminated. It can be noted, of course, that industries having highest frequency and severity do not pay unusually high hourly wage rates. The element of hazard is combined with so many other variations in working conditions, however, that no clear-cut demonstration is possible. But good reasons exist for questioning the likelihood

[1] For such examples, see "Some Outstanding Safety Achievements," in Frank Lang, *Workmen's Compensation Insurance*, Chicago, Richard D. Irwin, Inc., 1947, pp. 131–149; Ernest Dale, "Accident Reduction through Labor-Management Cooperation," *Management Review*, Vol. 37, No. 8, August, 1948, pp. 432–435; "Progress in Accident Control," *ibid.*, Vol. 36, No. 5, May, 1947, pp. 294–295.

that wage rates would reflect comparative hazards or that they would permit self-insurance against accidental injury. Many employees may not recognize the fact that employment in an industry is especially hazardous. Many of them may regard hazards lightly. Even if hazards are recognized, the purchase of private insurance encounters numerous obstacles. Many wage earners do not enjoy sufficient stability of income to meet premiums regularly. Many change jobs frequently, spending only short, intermittent periods in dangerous jobs. For these and other reasons, little justification exists for assuming that the burden of industrial accidents can be satisfactorily met through wage rates and personal insurance against risks.

3.0 Legislation

Public policy has long sought to provide means of compensating for industrial injuries in such a manner that injured employees need not become dependent on relatives or on the public for support. In the early period of industrialization, this objective was not explicitly stated in legislation, although it was inherent in some of the common-law rules applied to claims arising out of accidents. Legislation to this end first took the form of employers' liability laws. Later, workmen's compensation legislation was substituted, in order to provide detailed procedure and assurance of financial aid to the injured. In addition, public programs of vocational rehabilitation have been provided, as a means of restoring the disabled to the ranks of employables.

3.1 *Common-law Rules.* Common-law rules with respect to industrial accidents developed in England shortly after the factory system became firmly established. They represent decisions of the courts in equity cases, decisions which became precedents and were applied as laws, in the absence of formal legislation. The philosophy behind these rules held that industrial accidents are of two types, those for which no one is to blame, *i.e.*, those which are *true accidents*, and those for which someone is responsible. They further held that, since the first type arises out of the inherent characteristics of industry, losses occasioned cannot reasonably be shifted from those whom they injure. The assumption is that employees accept these hazards as a necessary condition of employment. In the other type of accident, that for which someone is to blame, the burden should be transferred, if possible, to those who are responsible for them.

To facilitate the determination of responsibility for accidents, the common law developed formal rules. In this country, these common-law rules were given statutory form by various state legislatures and known as employers' liability laws. The most important of these rules may be briefly outlined as follows:

The employer is held to have certain definite responsibilities to employees. Three major responsibilities include (1) providing a safe place to work, (2) conducting the business in as safe a manner as possible, and (3) selecting with care those whom he employs, thus ensuring that such employees are competent for the tasks they are to perform. Courts have interpreted these rules to require standards recognized as reasonable in the locality and in the industry.

When an employer who has fulfilled his responsibilities in these respects is sued for damages arising out of an industrial accident in his establishment, he may seek protection in one or more of what have come to be known as the common-law *rules* or *defenses*. These defenses represent conditions under which employers cannot be held responsible for damages. The three most commonly utilized defenses may be described as follows:

1. The "assumption-of-risk" rule holds that employees entering any vocation automatically assume the normal hazards of that occupation. This rule was frequently used, in the years before compensation laws became common, to prevent judgments favoring employees who continued to work while knowing that certain machines, equipment, or usual procedures were especially dangerous. Even though employees had called attention to the existence of unusual dangers, if they continued to accept employment, they were assumed to have accepted the risks of that employment.

2. The "contributory-negligence" rule provides that if an injured employee can be shown to have contributed in any way to the causes of the accident, then the employer cannot be held liable. Courts expressed the opinion that in such cases it is practically impossible to determine the relative degrees of responsibility of employers and employee. An employee must establish his own freedom from negligence, according to this rule. He must demonstrate that his own part in the accident is blameless.

3. The "fellow-servant" rule holds that an employer is not liable if it can be shown that the accident resulted from the action of one or more fellow employees. The theory holds, in such cases, that liability should fall on those who were directly or indirectly responsible for the accident—the other employees involved.

3.2 *Employers' Liability Laws.* In the United States, emphasis upon a "government of laws—not men" encouraged enactment of legislation to take the place of common-law equity rules. But common-law principles provided the basis for early legislation, which took the form of employers' liability laws. Under their provisions, which vary somewhat from state to state, employers were charged with basic responsibility for maintaining a safe place to work and following safe working procedures.

Within this framework, "defenses" similar to those provided by the common law were permitted. An injured employee, if dissatisfied with the settlement offered by his employer, could file suit to secure added payment.

3.21 *Deficiencies of liability laws.* Procedures developed under provisions of employers' liability laws became unsatisfactory to employers, to employees, and to the public. Lawyers frequently rushed to those who had been injured, offering their services in pressing damage suits against employers. They often asked only a small retainer fee but included the stipulation that they should receive a large proportion of whatever amount was collected. Meanwhile, employers found it necessary to hire counsel or buy expensive insurance in order to avoid payment of exaggerated claims, advanced by attorneys for injured employees. Employers' lawyers also rushed to injured employees to make a settlement. There was little uniformity in the amounts of damages awarded. Employers constantly faced the danger of an award that might put a small concern out of business.

On the other hand, employers and insurance companies often secured the services of superior counsel, and employees frequently received little or no remuneration for their injuries. Most of the verdicts in favor of employees were for small amounts. A large portion of them was consumed in attorneys' fees. Insurance companies found it worth while to employ lawyers who devoted their entire time to such cases and to devising means for avoiding or reducing payments. Even when laws were amended to make the common-law defenses less inclusive, as was the case in Germany in 1871, in England in 1880, in Alabama in 1885, and in Massachusetts in 1887, court procedure remained expensive, lacking in uniformity, and generally unsatisfactory.

The wastefulness of procedure under these early employers' liability laws is convincingly shown in data presented by Commons and Andrews.[1] According to their compilation of statistics from 10 insurance companies, the ratio of actual benefits paid injured employees to premiums paid the insurance companies was only 28 to 100. Approximately $60 of each $100 went to pay insurance companies' expenses and profits, including attorneys' fees. Meanwhile, society was called upon to care for numerous injured employees and their families.

3.3 *Workmen's Compensation Acts.* Workmen's compensation acts were devised to remove or reduce shortcomings of the older procedures. They were enacted by several European nations during the closing decades of the nineteenth century. The first such law appeared in Germany in 1833. In the United States, the first law to stand the test of constitu-

[1] John R. Commons and John B. Andrews, *Principles of Labor Legislation,* New York, Harper & Brothers, 1927, p. 481.

tionality was that enacted by the Federal government in 1908. The first successful state law was that of Washington, which was enacted in 1911. All states and all Canadian provinces now have such laws.

The basic philosophy of modern workmen's compensation is quite different from that underlying employers' liability legislation. Compensation laws assume, unless it can be shown that an employee has willfully injured himself, that no one seeks accidents and that little is to be gained by attempting to allocate responsibility for each individual accident. Rather, what is desirable is certainty of compensation to the injured employee and assurance that the community will not be called upon to support him and his family. In the aggregate, the acts seek to encourage employers to reduce the opportunity for accidents, but an employee's right to compensation is not affected by their success in doing so.

In the United States, compensation legislation is sometimes said to include two types of law, which may be described as *compulsory* and *elective* in that employers, under elective laws, do not have to accept compensation procedure. This distinction is, however, of little significance, for there is generally a penalty imposed upon employers who do not elect to accept an act. Laws generally specify that if an employer fails to elect to be covered by compensation legislation, he is thereupon denied the common-law defenses. If he is sued by an injured employee, he can present only the same defense as he might in a suit directed against him by someone not in his employ. Election is generally presumed in the absence of active rejection.[1]

3.31 *General provisions.* The most common provisions of workmen's compensation acts may be outlined as follows:

1. COVERAGE. No act covers all types of employees. Employees in agriculture and domestic service are most commonly excluded, although the omission of agricultural labor is contrary to modern practice among European nations. Certain other groups are not included in various state laws. Many states exempt employers of less than a stipulated number of employees. Employees in interstate commerce are not covered by state acts. Not all states include all public employees. Casual workers and those whose employment is not in the usual course of the employer's business are generally excluded, also, as are employees in nonhazardous occupations in several jurisdictions. Employees excluded from compensation coverage are protected by employers' liability laws described in earlier paragraphs. By 1948, some 45 million

[1] For detailed provisions, see frequent summaries and charts released by the Federal Bureau of Labor Statistics; also "Analysis of Provisions of Workmen's Compensation Laws and Discussion of Coverages," Washington, Insurance Department, Chamber of Commerce of the United States, January, 1948.

employees were covered by workmen's compensation provisions in the United States.

2. SCALE OF COMPENSATION. The basis or rate of compensation is commonly stated as a proportion of wages, but lump-sum payments may be specified for particular injuries. A few states vary rates of compensation according to numbers of dependents. Most states make special provision for death, permanent total disability, permanent partial disability, and temporary total disability. Generally, the rate of weekly benefits is limited by stipulation of certain minimum and maximum weekly payments. It is estimated that the result of these provisions is to place some 50 per cent of actual costs on the employee in the most liberal states, and to force from 65 per cent to 80 per cent of these costs on employees in those jurisdictions where provisions are less favorable.

Rates of compensation are further limited by provisions of maximum benefit periods and amounts of total payment. In addition, maximum payments are established for death and permanent disability. Generally, death benefits are calculated upon the basis of earning power as indicated by wages, with a maximum provision to the effect that they shall not exceed specified amounts of from $3,000 to $15,000. Death benefits and payments to widows and to children are common.

Most states specify maximum periods for which benefits will be paid for various types of partial disability. Thus, for loss of a thumb, the maximum ranges from 30 weeks to 104 weeks; for loss of an arm, from 50 weeks to 312 weeks; and for loss of sight in one eye, from 50 weeks to 250 weeks.

3. MEDICAL BENEFITS. Medical benefits without cost to employees are provided by most acts. There is generally, however, a limitation either upon the period of such benefits or upon the amount so expended for which the employer is liable.

4. WAITING PERIOD. Most states specify a waiting period during which no compensation is paid. This provision is intended to reduce the number of minor compensation allowances and thus to avoid increased costs of administration. Waiting periods vary from none to 14 days. The most commonly designated period is seven days. In most cases, if a disability causes loss of time in excess of the waiting period, compensation is then paid for the waiting period as well.

5. COSTS. A few jurisdictions permit employee contributions to funds used in compensation. Such charges are generally applicable purely to medical or hospital funds, however.[1]

6. ADMINISTRATION. Administration of compensation acts is generally entrusted to a commission or board. Use of the courts in this con-

[1] The jurisdictions are Oregon, Alaska, Arizona, Nevada, Washington, Colorado, Idaho, Montana.

nection is limited to a few jurisdictions in which special administrative machinery is not available. It is generally agreed that court procedure in this connection is slow, expensive, and excessively formalized. Appeals to courts on questions of law are, of course, possible in all jurisdictions.

7. SUITS FOR DAMAGES. Court action in case of injury is not entirely eliminated by compensation acts. Many of the acts prohibit damage suits arising out of industrial accidents, except those representing appeals from settlements attempted by administrators of compensation procedure. Such appeals are always permitted. Most states permit suits for damages if an employer fails either to provide insurance as specified by law or to pay compensation due. Employers in such cases are denied the common-law defenses.

8. ACCIDENT REPORTING. As has been indicated, there is considerable variation in accident reporting. About half of all jurisdictions require that all accidents be reported. Others require reports of all accidents occasioning loss of time in excess of one, three, seven, or fourteen days.

9. SECOND-INJURY PROVISIONS. Most jurisdictions now make special provision for "second injuries," *i.e.*, compensation for injuries sustained by employees already partially disabled. Because of the higher compensation generally assessed for loss of a second arm, leg, or eye, or other second injury, employers might be forced to avoid employing partially disabled employees in the absence of such second-injury provisions. Insurance companies might reasonably object to the employment of partially disabled employees.

To avoid such discrimination against those suffering partial disabilities most laws now provide that the second employer shall pay compensation only for any partial disability directly involved in an accident.

10. INSURANCE. Since the risks assumed by employers under existing laws are insurable, compensation insurance is available. Three principal types of insurance are utilized for this purpose, including state insurance, private insurance, and self-insurance.

Under self-insurance provisions, an employer must satisfy state administrators that he is financially able to carry the risk. He may be required to post a bond as a guarantee that he can and will be responsible for such charges. Private insurance provided by approved casualty companies is permitted in most states. In seven states, no private insurance is permitted, for these states maintain what are known as *exclusive* state funds. All employers are required to insure in these funds. Other states maintain state funds on a competitive basis, *i.e.*, private casualty companies and the state fund are equally acceptable to the compensation administration.

11. REHABILITATION. All states now provide programs designed to aid injured employees to retrain themselves for a useful occupation.

12. MERIT RATING. Systems now in force generally provide merit rating for employers as a basis for insurance premiums. Two major systems of merit rating are used. The older system, known as *schedule rating*, seeks to set over-all rates for a plant by reference to scheduled rates for the various machines and processes involved. *Experience-rating* provisions base charges on the individual employer's accident experience. Both systems provide an incentive for accident prevention.

3.32 *Shortcomings of compensation procedure.* Analysis of American compensation laws and procedure indicates several more or less serious shortcomings in present legislation. The most important of these deficiencies may suggest the nature of changes to be expected in such laws. They may be outlined as follows:

1. Failure of several states to provide special administrative boards is a serious handicap to the efficiency with which laws are enforced. The same effect follows from the fact that some states in which special administrative agencies are provided have allowed inadequate funds for effective administration.

2. Limitations on medical care are difficult to justify.

3. Waiting periods, if short, are justified as a means of reducing administrative overhead. Periods longer than one week may entail severe hardship on the part of employees.

4. Maximum benefits are unduly limited in many jurisdictions. Compensation based on 50 or 60 per cent of current earnings works sufficient hardship on the employee and his family. Additional provisions requiring that payments shall not exceed a stated maximum may create situations that are individually and socially disastrous.

5. Provisions for vocational rehabilitation of injured employees should be expanded in order that larger numbers of disabled may be prepared for profitable employment.

6. The coverage of existing compensation acts is unduly limited. There is need for coverage of many employees who are now excluded.

7. Coverage does not extend to employees in interstate commerce, although the Federal Congress has provided compensation for maritime employees (1927) and for civil employees of the government.

8. Provisions for extending compensation to dependents and to minors are, in many jurisdictions, inadequate.

4.0 Industrial Illness and Disease

The second of the unusual health hazards of employment is that generally described as industrial illness or disease. Definition of such disability is not simple, for the range of health conditions attributable to employment is not readily or sharply limited. In one of the older definitions, industrial illness is defined as "an affliction which is the result

of exposure to an industrial health hazard." An "industrial health hazard" is then described as a condition or manner of working that is "unnatural" to the human physical system or that encourages, promotes, or otherwise occasions improper functioning of the human organism. While such a statement indicates the general nature of these hazards, it does not draw sharp lines. What conditions are "unnatural"? How can the relationship of employment to illness be demonstrated or disproved? These are difficult questions.

In practice, the range of types of illness that may be job-related is being continually broadened. Especially in those jurisdictions in which industrial illness is compensated under workmen's compensation acts, employees and their organizations have sought more inclusive definitions of the types of illness that may be regarded as "industrial." Recently, for example, there has been some recognition that mental as well as physical ills may be job-related.

4.1 *Losses from Industrial Illness.* Sickness is a source of extensive economic waste. Industrial disease is responsible for an appreciable portion of that total. The U.S. Public Health Service has found that the average adult is disabled by illness once per year. Time lost in disabling illnesses varies widely, averaging from 7 to 8 days for males and from 8 to 12 days for females annually. Eight days are lost on account of sickness for one lost because of accident. It is estimated that on the average approximately 2 per cent of all adults are ill each day. The U.S. Public Health Service is authority for the calculation that more than two million persons are disabled on account of sickness each day of the year. On this basis, the annual time loss of wage earners from illness is calculated at approximately half a billion working days per year.

As has been noted, the effect of industrial health hazards on longevity has changed distinctly in the last two decades. At the beginning of that period, these conditions exerted an adverse influence on life expectancies. In the aggregate, that situation has changed, so that there is little difference in expectancies between industrial employees as a whole and other adults. But health conditions among skilled, semiskilled, and unskilled employees in manual occupations and among wage earners generally do not compare favorably with those of the rest of the population. Physical impairments are more common, especially those of eyes, teeth, ears, and heart. Ill health is a major cause of permanent separations from the payroll, averaging about 7 per cent of all such separations.

While wage earners now live as long as other occupational classes, their productive effort is subject to more handicaps from physical impairments. Only a part of these, of course, can be said to be caused by working conditions. Moreover, the evidence is not clear as to how large a portion may be properly charged to such conditions. But there is evidence that

mental health has received too little consideration and there are distinct mental health hazards in industry.[1]

Statistical evidence of the seriousness of industrial illness as a cause of waste in the form of absenteeism is not lacking. The most detailed summaries are those provided by the *Public Health Reports* of the Federal Security Agency's Public Health Service. These reports indicate that while total absences from certain types of diseases appear to have been somewhat reduced in the years since 1940, on the whole little progress has been made in restricting the effects of industrial illness on absenteeism. The problem appears to be almost as serious at the present time as it was in earlier years.[2]

To some extent, the fact that time losses remain high is attributable to the more common provision of paid sick leave and to more frequent insistence—by plant medical and nursing staff personnel—that employees take time off, both to protect fellow employees and to ensure their more rapid recovery. These conditions offset such advances as have been made, so that statistics of absenteeism do not present a complete picture. Moreover, the very fact that the working lifetime has been lengthened tends to increase the effects of illness on absenteeism.

In one careful study made during 1947, each factory employee averaged 3.4 absences, of which three-fifths were ascribed to illness or non-job-connected accidents. Two-thirds of the time lost was charged to these causes. The average employee lost 9.6 working days on this account, of which almost seven were occasioned by illness. Data reflect the experience of 246 plants with 150,000 employees that cooperated with the Social Security Administration, the Public Health Service, and the Bureau of Labor Statistics in the study. Evidence indicates some seasonal influence in the significance of illness as a cause of absence. Illness is less important as a cause in the summer and fall quarters.[3]

4.2 *Types of Industrial Health Hazards.* The special conditions that occasion industrial illness are of many types. Most spectacular are the various poisons encountered in industrial processes, some of which—lead, arsenic, mercury, and others—have attracted popular attention.

[1] See J. J. Bloomfield, "Current Official Industrial Hygiene Activities," *Industrial Medicine*, Vol. 17, No. 5, May, 1948, pp. 187–190; Harold A. Vonachen *et al.*, "A Comprehensive Mental Hygiene Program at Caterpillar Tractor Company," *ibid.*, Vol. 5, No. 3, March, 1946, pp. 179–184; Rudolph Novick, "Mental Health and Industrial Hygiene," *National Safety News*, Vol. 56, No. 6, December, 1947, pp. 28–29.

[2] See, for example, W. M. Gafafer, "Industrial Sickness Absenteeism," *Public Health Reports*, Vol. 63, No. 46, Nov. 12, 1948, pp. 1489–1497; also W. M. Gafafer, Elizabeth S. Frasier, and Rosedith Sitgreaves, "Studies of the Duration of Disabling Sickness," *ibid.*, No. 28, July 9, 1948, pp. 901–923.

[3] See Frank S. McElroy and Alexander Moros, "Illness Absenteeism in Manufacturing Plants, 1947," *Monthly Labor Review*, Vol. 67, No. 3, September, 1948, pp. 235–240.

Dust is a source of respiratory difficulties in mining, quarrying, stone-cutting, buffing and grinding, flour milling, and many other industries. Certain industrial processes are the source of numerous infections, of which anthrax and hookworm are probably the most widely recognized. Unusual conditions of temperature, humidity, light, and air pressure give rise to a wide range of impairments. Repeated jars and noise may cause disabilities.

Detailed classifications of such hazards represent a preliminary step toward their prevention.[1] Major divisions in the most widely used classifications note at least three types of hazards, including chemical dangers (poisons, corrosives, etc.), biological hazards (infections such as anthrax, tuberculosis, pneumonia, and such fungi as those causing athlete's foot), and environmental conditions or exposures (noise, heat, vibration, rapid temperature change, and others).

4.3 *Prevention of Industrial Illness.* From a social point of view, illness represents both an undesirable waste of manpower and a source of personal and social disorganization. When wage earners become ill and are unable to work, they are liabilities rather than assets as far as manpower resources are concerned. They may not have means by which to support themselves or their families. Hence, illness creates many social problems.

Modern societies have undertaken a many-sided attack on these problems. Through public health measures, they have sought to reduce the sources of illness that can be traced to community conditions—unsatisfactory water supplies, pollution and contamination of water sources, inadequate sanitary facilities, and others. At the same time, effort has been made to prevent illness by eliminating working conditions that can be regarded as sources. Inspection of work places and insistence on careful control of industrial poisons, together with elimination of other conditions associated with particular types of illness, are the means ordinarily used for this purpose. In a majority of states, industrial illness has been made compensable, under workmen's compensation laws, thus providing an additional incentive to stimulate managerial efforts. Regular physical examinations for employees are now common in many industries.[2] Paid sick leave is frequently provided, in many cases by collective agreement.

Mutual benefit associations and union health and welfare programs have been encouraged. While these provisions for the most part have

[1] For additional detail on types of health hazards, see "Great Britain: Industrial Accidents and Diseases," *Monthly Labor Review*, Vol. 66, No. 5, May, 1948, pp. 532–533; Bert Hanaman, "Occupational Incapacity," *Industrial Medicine*, Vol. 17, No. 10, October, 1948, pp. 383–402.

[2] See "Outline of Industrial Disease Control through Engineering," *Bulletin* 83, Division of Labor Standards, U.S. Department of Labor, 1947.

operated to reduce personal and social hardships resulting from illness, they have frequently involved agreements for group medical care that limit disabilities and facilitate continued employment. In addition, public provisions for prepaid medical care under a system of public health insurance have been widely advocated. Several foreign nations have developed such systems of "socialized medicine."

4.4 *Compensation for Ill Health.* Most states now provide compensation for some industrial diseases. Usual arrangements may be divided,

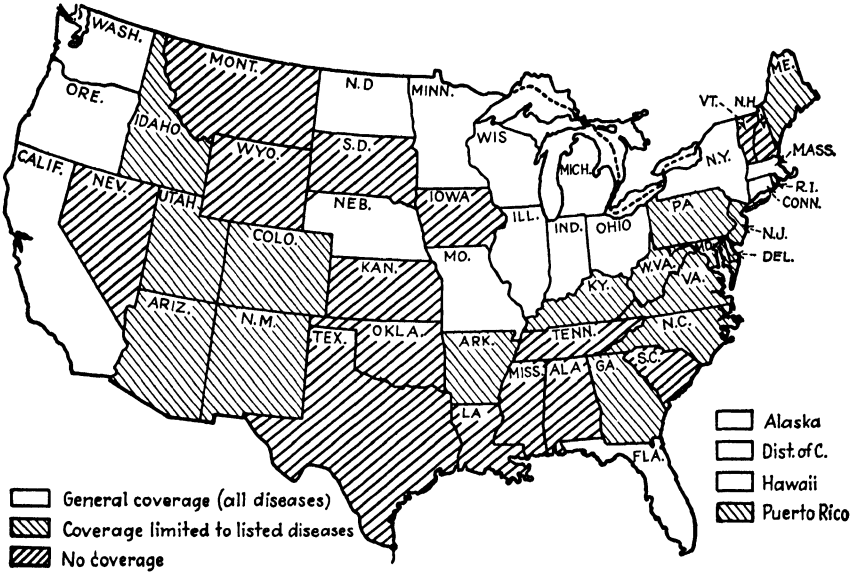

FIG. 10.5. State provisions for compensating industrial illness. (*Reproduced from chart provided by Division of Labor Standards, U.S. Department of Labor.*)

for purposes of description, into three groups. In one, known as "schedule compensation," specific occupational diseases are named by law as compensable, and only these diseases can be accorded this treatment. A second type of legislation provides what is known as "blanket coverage." Laws simply provide compensation for all industrial disease and define the latter as "a disease peculiar to the occupation in which the employee was engaged and due to causes in excess of the ordinary hazards of employment." The third type of legislation merely substitutes the word "injury" for "accident" in existing compensation legislation. Figure 10.5, indicating the nature of these provisions in each state, lumps these latter two types of provision under the heading "general coverage."

Experience to date appears to indicate that costs of including illness under compensation amount to from 2 to 3 per cent of the compensation

costs for industrial accidents. This low ratio reflects the fact that only a small portion of all illness can be shown to be job-related.

4.5 *Private Health Programs.* Many firms have developed extensive health programs for their employees. They include physical examinations at regular intervals, continuing supervision of production processes to prevent practices that involve health hazards, nursing services, dietetic advice and related provisions. In such plans, employees who require medical or surgical treatment are usually referred to their private physicians, although programs may include hospitalization and specific allowances for operations, services of opticians, dental care, and other such expenses. Costs of such programs range from $5 to $15 per year per employee.[1] Many plants now provide paid sick leave. Similar provisions are included in numerous collective agreements.[2] In 1949, some seventeen million employees were included in the coverage of group life insurance programs. These arrangements, involving some 47,000 group plans, represented total protection estimated at 33½ billion dollars.[3] In addition, as of 1947 some 109,500,000 policies provided $31,440,000,000 of industrial life insurance—small-unit, weekly, or monthly premium policies maintained by individual employees.

4.6 *Union Health and Welfare Programs.* Unions have long sought to aid their members in meeting problems of illness and accident. They have recognized, without benefit of complicated statistics, that many jobs in industry involve serious health hazards and that most union members do not have the personal means to provide medical care and maintain their families when accidents or illness strike. They have sought, therefore, to provide added security by mobilizing the collective resources of members to meet these needs.

In their simplest form, union benefits provide supplementary weekly income for a specified maximum period. They are usually fixed in amount. For many years, since enactment of workmen's compensation legislation, they have helped by making some aid available during the waiting period specified by law and by supplementing amounts payable under this legislation.

It is said that the first union health benefits in this country were those of the Journeymen Barbers, introduced in 1893. Among other early plans are those of tobacco workers (1896), pattern makers (1898),

[1] For details, see "Company Medical and Health Programs," *Studies in Personnel Policy*, No. 96, New York, National Industrial Conference Board, 1948.

[2] See F. Beatrice Brower and Arax Simsarian, "Paid Sick Leave in Union Agreements," *Management Record*, Vol. 10, No. 10, October, 1948, pp. 491–493. For details of extensive private programs, see H. W. Anderson, "General Motors Health Maintenance Program," *Industrial Medicine*, Vol. 17, No. 2, February, 1948, pp. 61–64; "Standard Oil Medical Department," *ibid.*, Vol. 16, No. 7, July, 1947, pp. 356–357.

[3] *Life Insurance Fact Book*, 1949, p. 22.

and plumbers (1903). That plans encountered difficulties may be judged from the fact that sickness benefits were reported by 28 unions in 1903, 27 in 1913, 30 in 1933, but only 18 in 1943.[1]

In the period between the two world wars, several unions sought to expand these benefits, to provide more extensive health programs for their members. The International Ladies' Garment Workers Union established a health center for its members in New York at this time (1919). A few other organizations, generally large metropolitan locals, developed programs of hospitalization and group medical care.

The costs of programs providing medical, dental, and other care are of course more extensive than any simple benefit system. Faced with the need for additional funds, unions turned to collective bargaining to secure them. In 1923, the Amalgamated Clothing Workers created an unemployment fund to which employers—under terms of a collective bargaining agreement—contributed. Then in 1926, the Amalgamated Association of Street and Electric Railway Employees and the Chicago Rapid Transit Company—under contract terms established by arbitration—provided death benefits and life insurance, including sick benefits, to be paid for by the employer. These were the beginnings of health and welfare programs established by collective bargaining. Several similar programs were developed in local transit industries in the years immediately following. In 1938, children's dressmakers in New York negotiated a contract providing that employers would contribute a stipulated proportion of payrolls to a pooled fund to provide vacations. Shortly thereafter, employers and the ILGWU in Philadelphia modified the idea to permit use of pooled funds for health and welfare benefits. Other locals of the same union quickly followed this example. The movement gained added support during World War II.

During the war, employers were frequently willing to negotiate such arrangements. Manpower was scarce and wage rates were controlled, but many "fringe items" were allowed by the War Labor Board. Insurance, sickness leave, and health and welfare provisions were among the most widely sought of these fringe items. World War II, therefore, encouraged the widespread development of negotiated health and welfare programs, paid for largely or entirely by employers under terms specified in collective agreements. Negotiated plans doubled their coverage from 1945 to 1947. In 1948, these health and welfare plans covered more than three million employees.

Plans provide benefits for sickness, hospitalization, surgical service, maternity, optical care, and dental care. In some plans, old-

[1] For more detail on these points, see Nathaniel M. Minkoff, "Trade Union Welfare Programs," *Monthly Labor Review*, Vol. 64, No. 2, February, 1947, pp. 201–214; "Union Health and Welfare Plans," *Bulletin* 900, U.S. Bureau of Labor Statistics, 1947.

age pensions, unemployment benefits, and vacations are also provided. Families of union members are, under some provisions, extended the same privileges as members, upon payment of a nominal fee.

The Mine Workers' plan, negotiated in June, 1946, provides coverage for 450,000 miners, both bituminous and anthracite, in 3,000 mines in 23 states. In bituminous mines, a contribution of 20 cents per ton of coal paid by employers provides a welfare and retirement fund, which is supplemented by a medical and hospital fund financed by deductions from wages.[1] Benefits have been paid from the fund since June 29, 1948. They include disability payments to injured miners and to the widows and children of miners, pensions ($100 per month; 41,848 beneficiaries in 1949), death benefits ($1,000), and hospital and medical care. The program as a whole has exerted an interesting influence on collective bargaining strategy, since work stoppages reduce income to the fund and jeopardize these benefits.

In other unions, the programs include maintenance of health centers. The ILGWU has taken the lead in this phase of the movement. That union's health center in New York City occupies six floors, employs 100 doctors, seven on a permanent basis, and provides both diagnosis and treatment. The Center is visited by more than 1,000 union members each day.[2] At least four million employees are presently included in the coverage of such plans.

4.61 *Administration.* Some of the plans are administered by the union, with no participation by employers. In such arrangements, the union ordinarily enters into contracts for hospitalization under Blue Cross or other similar provisions or contracts with a commercial insurance company for medical service. In other cases, a joint board composed of both union and employer representatives administers the program. Some of the funds are made up purely of contributions (generally a percentage of payroll) from employers. Others include monthly contributions from union members.[3] A Bureau of Labor Statistics survey undertaken in 1945 reported that about one-third of all employees included in such plans were covered by programs underwritten by insurance companies. For almost one-third more, all administrative responsibility was assumed by the union. The rest of the plans were jointly administered.[4]

[1] See "Types of Health Benefit Plans," *Monthly Labor Review*, Vol. 64, No. 2, February, 1947, pp. 193–201. Sample clauses from collective agreements are reproduced.

[2] For an excellent summary of these programs, see Adolph Held, "Health and Welfare Funds in the Needle Trades," *Industrial and Labor Relations Review*, Vol. 1, No. 2, January, 1948, pp. 247–263.

[3] See "Union Health and Welfare Funds," *Studies in Business Economics*, No. 8, New York, National Industrial Conference Board, Inc., 1947.

[4] See "Employer Contributions to Union Benefit Plans," *Monthly Labor Review*, Vol. 62, No. 6, June, 1946, pp. 867–870.

4.7 *Public Health Insurance.* The duration of illness and accompanying absenteeism might be reduced if medical services and hospitalization were readily available and adequate. Private health programs have demonstrated possibilities in this direction. For this reason, as well as for humanitarian considerations, a variety of public health programs has been advanced. Group hospitalization under Blue Cross and other similar arrangements has been widely accepted. Prepaid medical care, under Blue Shield and other plans, has become increasingly popular. Both of these arrangements are voluntary and privately financed.

In addition, public sickness benefits and public health insurance have been given a limited trial in this country and have been adopted, as part of a program of "socialized medicine," in several foreign nations. Details of the various experiments in the United States vary widely, as do the various proposals for further legislation. The extent of popular interest in some such program may be gauged, however, by the fact that more than fifty bills proposing sickness benefits or health insurance were introduced in sixteen state legislatures in 1947.

In addition to proposed state legislation, some twenty bills involving similar aid were introduced in the Federal Congress in 1947. Best known and most widely discussed was the Murray-Wagner-Pepper-Dingell bill, which would establish a national system of compulsory prepaid medical care, hospitalization, and Federal aid for state health services and for medical research.

4.71 *State experiments.* Rhode Island adopted a compulsory sickness benefit plan in 1942. The Rhode Island plan requires employers to insure in a state fund to provide weekly sick benefits ranging from $10 to $20 for some 350,000 covered employees. Employees pay a tax of 1½ per cent on wages. In 1946, California established a "voluntary" plan, under which sickness benefits are required, but employers may provide such benefits by self-insurance, by employing a private insurance company to assume the risks, or by participating in the state insurance plan. In 1948, New Jersey became the third state to establish such provisions. The New Jersey plan relates sickness benefits to unemployment compensation. Employees pay 1 per cent of wages for the combined protection. Employer contributions are determined on a "merit" basis similar to unemployment compensation taxes. Coverage includes all employees included in the coverage of unemployment compensation. Employers may elect to provide private insurance if that arrangement is satisfactory to a majority of employees; in any case the employer is liable for the cost of adequate insurance.

Two more states—New York and Washington—passed similar legislation in 1949. The New York law established a system of benefits for temporary illness or accidents for some six million wage earners. Benefits range from $10 to $26 per week, depending on earnings. They are avail-

able for a maximum of 13 weeks per year. The system is supported by contributions from both employees and employers. Employees contribute ½ of 1 per cent of weekly earnings up to 30 cents per week. Employers may insure with private insurance carriers or with a state fund, or they may establish their own programs. Administration of the legislation is placed in the Workmen's Compensation Division.

Washington's law provides weekly benefits of from $10 to $25 for a maximum of 26 weeks in any year. It is financed by a tax of 1 per cent on wages up to $3,000 per year. Sickness and unemployment benefits cannot be drawn at the same time.

4.72 *Bases for choice.* Developments both in this country and abroad suggest that the movement for some types of sickness benefits is not unlike those which led to establishment of workmen's compensation and unemployment compensation. The desire to assure employees of adequate medical attention is consistent with major social goals in modern society, and both humanitarian and economic advantages may be gained. There are, however, significant variations in proposed plans. Each has its appeal; each also has its price tag—its costs in terms of alternative uses of income. Each also has implications with respect to possible changes in the social and economic system. These are the issues behind arguments over "socialized medicine" and "prepaid medical care."

Some of the most important questions to be considered in appraising current proposals may well be outlined. What services or benefits should be provided? Should they be compulsory or optional? Will benefits be more generously and liberally allowed under a public insurance plan? Will such a plan be less efficient, more wasteful and costly? (On these points, careful study of experience under workmen's compensation laws—where both types of insurance are presently used—would be enlightening.)

What regimentation should be involved—should those covered be entitled to select physicians and hospitals? Are costs likely to be reduced if such freedom is restricted and public hospital and medical services are specified? If costs can be reduced by limiting choice, should this reason be accepted as justifying an inclusive public health program? What other reasons argue for such a regimented, compulsory system? What does experience indicate as to the quality of service in public programs, such as those long provided for veterans and for maritime employees? Would a public program advance or retard the progress of medical practice? Would it affect numbers or quality of those choosing medicine as a profession? What effects would such a "socialized" program have on research? If medicine were "socialized," would that condition affect other professions?

Many other questions might be raised. These are, however, among

the most timely and essential. Answers to them would provide a more realistic foundation for appraising the movement.[1]

5.0 Hours of Employment

Another important working condition is that involving hours of work. Working hours represent a large share of the normal lifetime. The social interest in hours of work reflects a realization of this fact. Societies are interested in hours of work for many reasons. As has been noted, citizenship responsibilities may suffer if hours are too long; if employees are exhausted by their tasks, they may be unwilling to assume such responsibilities. Family life may be disorganized by long or irregular hours of work. Home relationships and responsibilities for children are maintained with difficulty if hours are long or assignments require night work or split-shift arrangements. Long hours may have adverse effects on employee health. Long work-days may result in excessive fatigue, which is conducive to accidents. Long hours are alleged to increase susceptibility to disease. There is evidence that long daily and weekly working hours not only reduce hourly output but also increase losses of time on account of illness.[2]

Figure 10.6 illustrates one type of evidence advanced to indicate effects of fatigue on accidents. The chart shows that highest accident levels appear late in each half of the working day, when employees may be assumed to have become tired. The argument holds that as fatigue advances, employees become careless and accidents increase.

At the same time, of course, hours of work must be sufficient to provide adequate income. This requirement is not as simple as it sounds. For the length of the work-day and work-week appears to have significant effects on productivity. Hence daily or weekly work periods may easily

[1] There is an extensive literature on these issues. For illustrative material, see "Ways of Meeting Costs of Illness," *Publication* 22, Research Council for Economic Security, 1946; E. E. Witte, "American Post-war Social Security Proposals," *American Economic Review*, Vol. 33, No. 4, December, 1947, pp. 825–838; "Voluntary Health Insurance vs. Compulsory Sickness Insurance (a bibliography)," American Medical Association, July, 1948; J. Weston Walch, "Check and Double Check on Sickness Insurance," Medical Society of the State of New York, 1946; Frank G. Dickinson, "The Cost and Quantity of Medical Care in the United States," *Bulletin* 66, American Medical Association, September, 1948; Oscar R. Ewing, *The Nation's Health: A Ten Year Program*, Washington, Government Printing Office, 1948; Marjorie Shearon, *Blueprint for the Nationalization of Medicine*, Washington, Gibson Brothers, 1947; George W. Backman and Lewis Meriam, *The Issue of Compulsory Health Insurance*, Washington, The Brookings Institution, 1948. See also Effie M. Wood, "The Health of Nations," *Publication* 42, Research Council for Economic Security, December, 1948.

[2] See "Hours of Work in Relation to Health and Efficiency," *Bulletin* of the Division of Women in Industry and Minimum Wage, New York State Department of Labor, August, 1941; see also J. Douglas Brown and Helen Baker, "Optimum Hours of Work in War Production," Princeton University Industrial Relations Section, 1942.

be either too long or too short to facilitate efficient production. Arrangements seeking the most efficient work-day or work-week are complicated by the frequent combination of this objective with another which seeks to spread work among those seeking jobs. Indeed, the intention to share such employment as is available among the available labor force is probably the most common immediate objective in social regulation of working hours. Proposals to spread work are advanced whenever unemployment becomes extensive. As a part of the social objective or goal with respect to working hours, therefore, there is the intention to discover and maintain efficient hours of employment and at the same time to see that work opportunities are equitably distributed. As will be noted, these objectives are not always compatible.

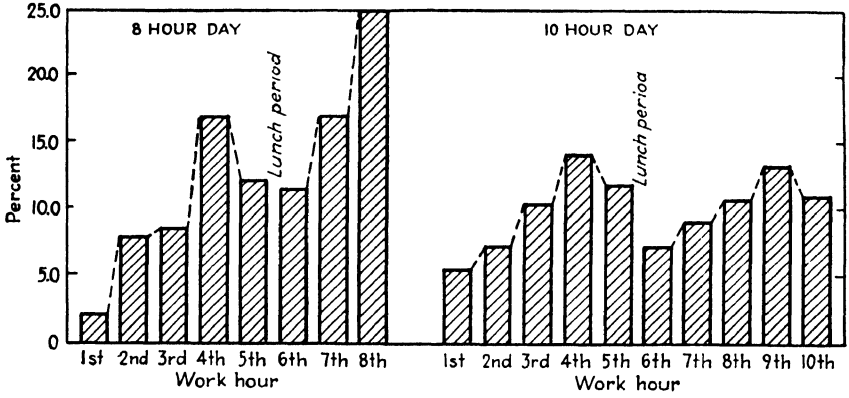

FIG. 10.6. Accidents and hours of work. (*From "Hours of Work and Output," Bulletin 917, Bureau of Labor Statistics, 1947, p. 39.*)

5.1 *Long-term Changes in Working Hours.* In early years following the industrial revolution, long work-days were common. While there was little night work during the Middle Ages, employees labored from sunup to sundown. Sunday labor was generally prohibited and there were frequent holidays. With the coming of industrial capitalism, the work-day and work-week were lengthened, both because of the increased capital-manpower ratio, which made it profitable to use capital equipment for long hours, and because improvements in artificial lighting made such use possible. No serious question seems to have been raised as to the propriety of such hours until women and children came into industry in large numbers. Then the practice was first questioned upon grounds of health and morality. In England, regulation was applied to children in 1802. In this country, especially during the colonial period, the full daylight working period was considered the usual and proper measure of a day's work. Not until the close of the colonial period did

organized journeymen first suggest compulsory limitation of the day to 12 or 14 hours.

TABLE 10.2. WEEKLY HOURS OF WORK IN MANUFACTURING, 1909–1949[1]

Year	Average weekly hours	Year	Average weekly hours
1909	51.0	1931	40.5
		1932	38 3
1914	49.4	1933	38.1
1915	51.0	1934	34.6
1916	51.0	1935	36.6
1917	51.0	1936	39 2
1918	49.0	1937	38 6
1919	46.3	1938	35 6
1920	47.7	1939	37.7
		1940	38.1
1921	43.5		
1922	45.0	1941	40.6
1923	45.6	1942	42.9
1924	43.7	1943	44 9
1925	44.5	1944	45.2
1926	45.0	1945	43.4
1927	45.0	1946	40.4
1928	44.4	1947	40 3
1929	44.2	1948	40 1
1930	42 1	1949	

[1] BLS series from *Handbook of Labor Statistics*, 1947, p. 54, *Handbook of Basic Economic Statistics*, Vol. 3, No. 3, March, 1949, p. 34, and subsequent reports in the *Monthly Labor Review*. Table may be brought up to date by reference to the *Monthly Labor Review*.

Agitation for shorter daily hours in the United States appears to have originated among building tradesmen, although it soon enlisted the support of other organized groups, including tailors, blacksmiths, and employees in shipyards. At the beginning of the present century, the usual objective of such campaigns was the 10-hour day. Many of the trades ordinarily worked 12 or more hours daily. Earlier, in 1840, the work-week averaged 70 hours for railroad employees, 78 to 84 for teamsters, 75 to 84 for textile workers, and 60 to 84 for machinists, with building tradesmen alone generally enjoying a 60-hour week. Forty years later, street-railway labor still worked from 90 to 108 hours, and much unorganized labor was similarly employed. The Federal government placed its employees on a 10-hour day in 1840 and reduced daily hours to 8 in 1868.

The long-term trend of hours has been downward since the beginning of the nineteenth century. It is worthy of note, however, that changes have been gradual, rather than precipitate, and that such sharp reductions

as appear in periods of business recession have been largely obliterated in succeeding periods of expansion. The general trend may be noted from Table 10.2 and Fig. 10.7. Caution should be used in any attempt to extrapolate the trend line of hours into the future, since its simple extension over a long period of years would obviously lead to a period of no work at all or even into the realm of negative hours.

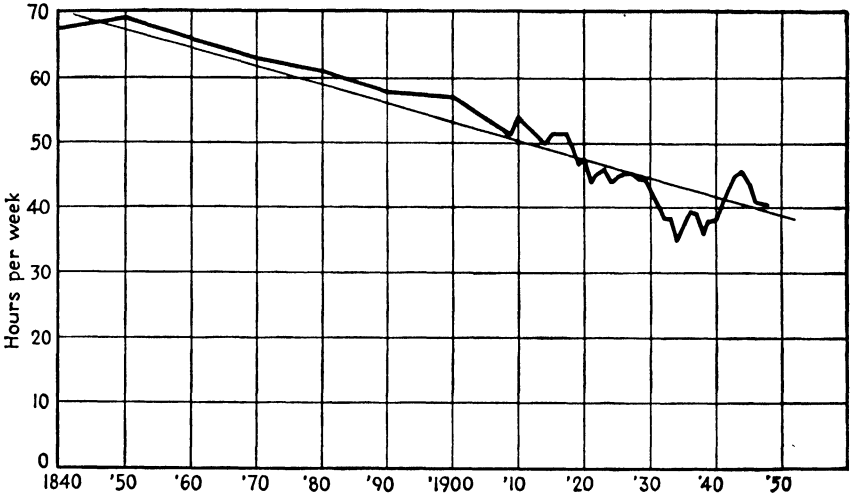

FIG. 10.7. Long-term trend in hours of work. (*Data represent a composite of all manufacturing industries. They have been prepared from the several sources noted in the footnote below and refer to weekly hours in manufacturing industries. Data for recent years are those of the Bureau of Labor Statistics.*)

5.2 Data on Hours of Work. Information on hours of work during the first century of this nation's existence must be gained from a wide variety of sources.[1] Even since the turn of the present century, data are piecemeal and scattered. No regular accounting of all working hours is presently maintained, although there are current series available on a monthly basis.

All currently continuing series are based on employers' reports. None goes directly to employees for information. In part as a result, the series are generally confined to major manufacturing and nonmanufacturing industries. Thus the reports of the Bureau of Labor Statistics,

[1] For further detail, see Paul H. Douglas, *Real Wages in the United States, 1890–1926*, Boston, Houghton Mifflin Company, 1930; Wladimir Woytinsky, "Hours of Labor," Encyclopedia of the Social Sciences, 1st ed., Vol. VII, pp. 478–493; National Industrial Conference Board, *Wages in the United States, 1914–1930*, New York, McGraw-Hill Book Company, Inc., 1929, Vol. II, pp. 444–445; *Handbook of Labor Statistics* (1947), p. 54; *Handbook of Basic Economic Statistics*, current issues; J. Frederick Dewhurst and Associates, *America's Needs and Resources*, New York, The Twentieth Century Fund, Inc., 1947, pp. 20–23.

summarized each month in the *Monthly Labor Review*, describe hours in all manufacturing; in durable goods; in nondurable goods; in 18 major manufacturing classifications; and in mining, public utilities, trade, finance, and service. Another series describes hours in private construction projects. National Industrial Conference Board reports describing manufacturing are also available. While these reports now include the more important industrial classifications, they omit agriculture, a large part of all public employment, and a wide range of other jobs. Moreover, data for many of the series do not extend far into the past.

The most commonly cited series are those maintained by the Bureau of Labor Statistics and referring to manufacturing. The monthly *Economic Indicators*, prepared by the Council of Economic Advisers, provides a graphic summary of changes in four industry groups, as shown in Fig. 10.8.

In addition to these continuing series, the *Monthly Report on the Labor Force* maintained by the Census Bureau gathers data from time to time on hours reported by those employed. These data are not released as a general average but as a distribution indicating numbers reporting various hours during the week preceding the sampling survey. These summaries provide a valuable check on the employer reports that form the basis for the series mentioned above.

5.3 *Actual and Nominal Hours.* Reference is frequently made, in discussions of working hours, to "actual hours per week" as compared with "nominal hours per week." Actual hours represent the average working time per week for all employees. The figure is obtained by calculating the total man-hours of employment and dividing it by the number of employees on the payroll. "Nominal hours," on the other hand, usually refer to the theoretical day or week described by employers or by agreements between employers and unions as the standard workweek. Nominal hours are generally longer than actual hours.

Various meanings are attached to the term "8-hour day." Three types of 8-hour day may be distinguished. The *straight 8-hour day* means that employees work eight hours and no more. No overtime employment is contemplated except in emergencies. Second, there is the *8-hour shift plan*, which requires more than eight hours of employees only at the time that shifts are changed, when it may be necessary for a "swing" shift involving a total of 16 hours. Third, there is the *basic 8-hour day*, which means that eight hours is accepted as standard, but work in excess of that amount is compensated, usually at a premium rate of time and one-half.

5.4 *Factors Affecting Working Hours.* Many influences affect levels of working hours. Basic to them all is the choice made by employees between leisure, on the one hand, and the added income available from

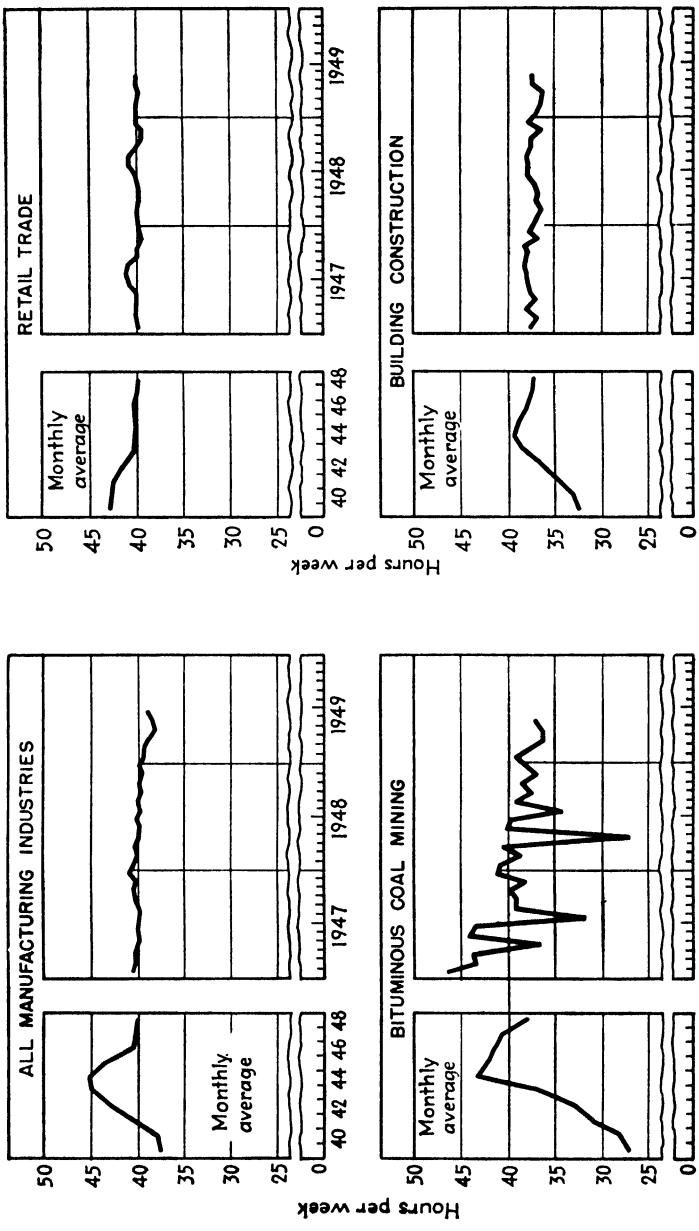

FIG. 10.8. Current report on changing hours. (*From Economic Indicators, August*, 1949.)

longer hours, on the other. Somewhat more obvious is the influence of business conditions as reflected in the business cycle. Recessions in business activity result in hour reductions. Unions have also exerted a powerful influence, particularly as they have sought and secured legislation and concessions in collective agreements. In part, their drives have tried to "spread" work among members of the labor force. In part, unions have operated on the basis expressed in the couplet:

> Whether you work by the hour or the day,
> Reducing the hours increases the pay.

This generalization may have been inferred from the long historic trends in hours and wages, in which the continued fall in hours has been paralleled, throughout the years, by a similarly continuous rise in wages. To some extent, also, unions have recognized the principle of diminishing utility and concluded that allowing fewer hours to "go on the market" might have a tendency to increase the price of those units that are made available.

Employers have recognized a similar principle in their purchase of additional hours of labor. They have been aware of the increasing disutility of additional hours. They have realized, also, that long hours are frequently inefficient, that employees may not maintain their pace and output. Obviously, also, the wide requirement—by law or by collective agreement—that premium pay be provided for hours beyond stipulated limits has encouraged employers to hold hours within these limits.

5.5 *Legislation on Hours.* Hour legislation is in no sense new. In England, the Health and Morals Act of 1802 limited hours of children in cotton mills to 12 per day. Later, in 1844, similar restrictions on hours for women were imposed by what was known as the Half-time Act. In this country, as in England, earliest laws applied only to children or to women and children. Massachusetts limited hours of children by law in 1842. Hours of women were regulated in the same state in 1879. All states now have legislation establishing maximum hours for women and children. Limitation of hours for men in private industry, on the other hand, is a comparatively recent development.

Legislation affecting women and children is not uniform among the states. The maximum 8-hour day is one common specification, however, as is the usual provision that hours of work shall not interfere with school work. Several laws specify maximum weekly hours, many of them prohibit night work (generally from 10 P.M. to 6 A.M.) in particular industries, and many require regular rest periods. Laws affecting children generally apply to those under 18 years of age.[1]

[1] See "State Labor Laws for Women, with Wartime Modifications," *Women's Bureau Bulletin* 202-1, 1945.

Such legislation has been accepted by the courts, because it is generally based on considerations of health and welfare and thus regarded as falling within the police power of the state. Legislation affecting hours for men has been less favorably regarded by the courts. While the right of governmental agencies to specify maximum hours for their own employees has been accepted for a hundred years,[1] general regulation of hours for men in private employment was long held to be an unconstitutional invasion of personal rights.

Laws establishing maximum hours for men, aside from government employees, have been based on (1) the protection of the public (as in laws affecting trainmen, bus and truck drivers, and pharmacists), and (2) the protection of employee health in hazardous employments (as in laws limiting hours of miners, employees in smelters, and others). Both Federal and state laws affecting employees in transportation have been upheld by the courts.[2] The propriety of other legislation limiting hours to protect the public is well established.

Laws of the second type—those providing regulation of hours in dangerous or unhealthful occupations—are generally applied to employment in mining, tunneling, and work in smelters, steel mills, and similar occupations. Mining is the most commonly regulated employment. Such regulation was held by the United States Supreme Court to be a proper exercise of the police power of the state in *Holden v. Hardy*, in 1898.[3] The act in question referred to employees in underground mines or in smelters and ore refineries. Twenty years later, in 1917, the court upheld an Oregon law that limited hours of men, women, and children to 10 per day (with special provisions for overtime) in any mill, factory, or manufacturing establishment.[4]

Since enactment of the Federal Fair Labor Standards Act in 1938, little question as to the propriety of establishing maximum hours for all employments has been raised.

5.51 Fair Labor Standards Act. Effects of the Federal Fair Labor Standards Act have been so far-reaching that the law deserves detailed attention. The Act, passed in 1938, sought to establish a "floor under wages" and a "ceiling on hours." Coverage of the Act is limited to industries closely related and directly essential to the production of goods for interstate commerce. Retail and service firms doing more than 50 per cent of their business within a state are specifically exempted. At least twenty million employees are included under the Act's overtime

[1] Federal regulation of maximum hours for Federal employees was begun in Van Buren's Administration. The Kansas 8-hour law for state employees was upheld by the United States Supreme Court in *Adkins vs. Kansas*, 191 U.S. 207 (1903).

[2] In *Wilson v. New*, 243 U.S. 332 (1917), and *B. & O. R. R. v. Interstate Commerce Commission*, 221 U.S. 612 (1911).

[3] *Holden v. Hardy*, 169 U.S. 366.

[4] *Bunting v. Oregon*, 243 U.S. 426, 438 (1917).

provisions. The constitutionality of the Act has been upheld in *United States v. Darby Lumber Co.*[1]

The Act established a maximum work-week of 40 hours after the second year of its operation (44 hours in the first year, and 42 hours the second). All employment in excess of this maximum must be compensated at a premium rate of at least 150 per cent—time and one-half. Each week is a unit; no averaging of work-weeks is permitted. Exceptions to this single-week rule are made for all employees who work under a "time off" plan or a "prepayment" plan. In "time off" plans, an employee may be permitted "premium time off" within a single pay period in lieu of overtime pay. Thus in a two-week pay period, if the employee works four hours overtime the first week, charges for overtime may be offset by giving the employee six hours off during the second week. In the "prepayment" plan, an employer guarantees a minimum weekly wage based on 40 hours. If he establishes credits by paying for hours not worked, they may be applied on subsequent charges for overtime, which must, however, be compensated *at premium rates.* Supervisors are exempted from the required premium rates.

In addition, the Act (as amended in 1949) allows employees to work up to 12 hours per day or 56 hours per week without premium rates of pay if they are employed under a collective agreement that restricts total employment to 1,040 hours in 26 consecutive weeks or 2,080 hours in one year. In addition, also, employees working under full-year agreements may work as many as 2,240 hours if paid time and one-half for overtime beyond the 2,080. The minimum number of hours specified by a full-year agreement may be as little as 1,840 hours. A complex system of exemptions—in some cases limited to 14 weeks each year—is provided for employees in agricultural processing activities.

During the first decade of its operation, the Act created numerous problems. One of the problems that attracted greatest popular attention involved a ruling of the Act's administrator holding that employers were liable for time spent in getting from the plant entrance to the work place—the "portal-to-portal pay" idea. The ruling became the basis for numerous suits designed to collect back pay over many years past. Congress voided such claims by law in 1947. Another ruling, in 1948, involved what was popularly called "overtime on overtime" but was more accurately described as overtime on premium pay. It created a furore by holding that where premium pay was regularly paid for work outside usual hours, such premiums should be included in calculating basic rates of wages, as a basis for time and one-half for overtime.[2]

[1] 312 U.S. 100, 61 Sup. Ct. 451 (1941).

[2] See Dorothea Tuney, "Ten Years' Operations under Fair Labor Standards Act," *Monthly Labor Review*, Vol. 67, No. 3, September, 1948, pp. 271-275.

5.6 *Hours and Labor Costs.* Many of the conflicts over proposed changes in working hours—changes to be required by legislation or collective agreement—reflect differences of opinion as to the relationship between hours and labor costs. To some extent, this misunderstanding grows out of the frequent demand that hours be reduced without any reduction in take-home pay. To some extent, misunderstanding reflects the fact that an hour's work is widely regarded as a unit, with the result that many impute qualities of consistency and uniformity to the hour of work that this unit does not justify or deserve.

As a result, employers, employees, and the public often assume that an extension of hours automatically increases output in similar propor-

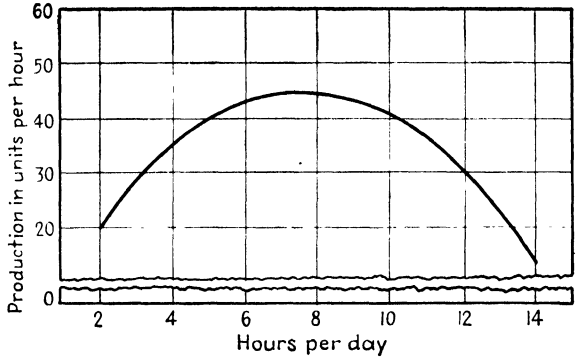

FIG. 10.9. Varying productivity with various working hours (data assumed).

tion; that reducing hours forces a similar and proportionate reduction in output; and that any change in hourly rates of pay necessarily changes unit labor costs of product.

None of these conclusions is entirely justified. Where the amount of output is regulated by the pace set by a production line, total output will presumably vary with the number of hours worked. But if individual output is mainly determined by the efforts of employees, hourly production may vary widely from hour to hour. The prospect of long hours may encourage employees to "save themselves," to hold back. Short hours, on the other hand, may not be particularly efficient, perhaps because employees try to spread the work and make it last, or because reduced hours affect morale adversely, or for other reasons.

Generalizations as to the effects of changing working hours are therefore hazardous. Reports on the effects of shortening and lengthening hours vary. In some cases, efficiency increases; in others, a similar change results in lowered output.[1] For any particular occupation, time, and

[1] See J. Douglas Brown and Helen Baker, "Optimum Hours of Work in War Production," Princeton University Industrial Relations Section, 1942; "Hours of Work and Output," *Bulletin* 917, U.S. Bureau of Labor Statistics, 1947.

place, the situation may be visualized as shown in Fig. 10.9. The figure indicates that there is a point at which hourly efficiency is greatest. With longer or shorter work-days or work-weeks, efficiency declines. If the point of maximum efficiency has been reached, changes either way will result in lowered hourly output and higher unit labor costs (if wage rates are maintained).

What circumstances affect the shape of this curve? First, emphasis should be placed on the fact that all evidence indicates that it is curvilinear rather than linear. To some extent, the curve presumably reflects fatigue. Reduction in output at unusually long hours may be assumed to follow from the fact that employees get tired or save their energy to carry them through. To some extent, also, the curve reflects habit. Studies of output show, for example, that employees generally experience a "warm-up" period at the beginning of the day or shift. During that period, their output is not as high as it becomes later. Technological relationships may also be involved. Probably the most important single factor is tradition or custom. There is usually an accepted and socially approved length of work-day and work-week. Variations from it may be regarded with suspicion and opposition.

All of these conditions change with time. What is approved as satisfactory at one time may be regarded as improper a few years later. Moreover, there are wide differences from industry to industry, from one occupation to another, and from one locality to another. Hence, employers, employees, unions, and the public have a direct interest in study and experimentation designed to discover what may be the most satisfactory and efficient hours in each situation. There are obvious incentives to the discovery of the most efficient work-day. Employee productivity under such circumstances is at its peak. If wages are set by reference to those paid by other employers who are operating at a less efficient level, the advantage to the alert management is clear. This incentive, combined with the disutility of long hours to the employee, provides a constant pressure on the work-day and work-week, a pressure that tends to move it toward that arrangement which is most efficient.[1]

A few summary generalizations may be warranted. (1) Most important is the fact that the relationship between hours and average hourly output is not linear. Hence unit labor costs do not fluctuate simply nor do they remain constant when the length of the work-day or work-week is varied. (2) What are most efficient hours in one industry, occupation, or locality are not necessarily most efficient in others. (3) Conditions affecting efficiency at varying hours are subject to change, so

[1] See F. H. Knight, *Risk, Uncertainty, and Profit*, Boston, Houghton Mifflin Company, 1921, pp. 60–67; M. C. Cahill, *Shorter Hours*, New York, Columbia University Press, 1932, Chap. VII.

that the most efficient hours at one time may not be most efficient at another. (4) On the other hand, such change is usually gradual rather than abrupt. Sudden, sharp changes in working hours are likely to encounter opposition, require difficult personal adjustments, and impair efficiency.

5.7 *Hours and Employment.* One of the major reasons for many campaigns to reduce hours is the desire to spread employment. In periods of recession, when large numbers are unemployed, hour reduction is frequently suggested as a means of reducing unemployment. The basic assumption is that if hours are reduced, employment will be expanded in a similar proportion.

This assumption obviously oversimplifies the relationship between hours of work and employment. Unemployment seldom affects all industries equally, so that proportions unemployed in some industries are generally greater than in others. Since experience and skill are necessary requirements for many jobs, many unemployed may have little value in industries that are expected to expand employment. In industries in which the unemployed have worked, merely reducing hours cannot be expected to spread work and effect reemployment. For if the reduction increases labor costs—either by requiring a higher wage rate per hour without a corresponding increase in output or by reducing hourly efficiency at the same hourly rate—greater unit labor costs might restrict demand for and sales of the product. No generalizations as to what *would* happen in each case are appropriate; conclusions would require careful study of the industry and of the elasticity of demand for its products. But a simple plan to reduce hours—perhaps with no reduction in weekly pay—may be hazardous to such employment as remains.[1]

5.8 *Conclusions.* In general, employees and society as a whole choose, with respect to hours of work, between the advantages of greater leisure and those of such added income as may be gained by longer working hours. Over the past hundred years, the choice has appeared to place greater value on increased income. Growing productivity has been divided so that, according to Douglas, one-fourth to one-third was taken to provide added leisure, while the remainder has increased income.[2]

Conclusions as to the relationship of working hours to output, efficiency, employment, and wages or wage rates must be carefully considered. Many popular assumptions with respect to these relationships are dis-

[1] See, in this connection, Waldo E. Fisher, *Economic Consequences of the Seven-hour Day and Wage Changes in the Bituminous Coal Industry*, Philadelphia, University of Pennsylvania Press, 1939.

[2] Paul H. Douglas, *The Theory of Wages*, New York, The Macmillan Company, 1934, Chap. XII; Frank H. Knight's conclusion that the short-term supply curve of labor (in hours) may be negatively inclined has a similar implication. See his *Risk, Uncertainty and Profit*, Boston, Houghton Mifflin Company, 1921, pp. 117–120.

tinctly questionable. Decreasing hours does not always decrease output. Neither does it always increase output, or wages, or wage rates. If the latter relationship could be depended upon, the highest wage would presumably be obtained by reducing hours to the vanishing point. Hours that are most efficient and valuable at one time almost certainly do not remain so. Constant research and reporting are therefore highly desirable.

5.9 *Future Hours.* Speculation as to hours of employment in the future is frequently encountered. Some observers of long-term trends in hours anticipate a 2- or 3-hour day implied by simple extrapolation. Most employers, on the other hand, seem to oppose reductions in hours, implying that the future should see little or no change.

No forecast can be made with great assurance, because the whole future is shrouded in so many uncertainties. War and preparation for war create pressures for reduced leisure and longer work periods. Capital accumulation, on the other hand, tends to increase productivity, and the latter creates pressures for greater leisure. If, therefore, we assume that productivity will continue to increase at approximately the rate established in the past century, hours may be expected to show further reductions. On the basis of past experience, they should decline in an amount approximating one-fourth of the increases in manpower productivity, or approximately ½ per cent per year.

QUESTIONS AND EXERCISES

1. Describe the motives or goals that underlie social interest in working conditions.
2. What are the principal hazards accompanying employment in modern industry?
3. Show that industrial health hazards are reflected in vital statistics.
4. What is an industrial accident?
5. Describe each of the usual statistical measures of industrial accidents.
6. Why and how is a scale of time charges used?
7. Describe long-term trends in accident rates in the United States, mentioning industry differentials, costs, and causes.
8. If wages do not reflect accident hazards, who bears the burden of accident costs in modern societies?
9. What were the common-law rules with respect to responsibility for industrial accidents?
10. What are the principal shortcomings of employers' liability laws?
11. How does the philosophy of workmen's compensation laws differ from that of the common law?
12. Describe major provisions of workmen's compensation laws in the United States.
13. Why are "second injury" provisions necessary?
14. Present arguments for and against state insurance for workmen's compensation.
15. Outline the major deficiencies of current compensation laws and procedures.
16. Are employees who intentionally injure themselves while at work entitled to workmen's compensation?
17. What constitutes an industrial illness?

18. Describe usual provisions of private and collectively-bargained health and welfare programs.

19. Is compensation of industrial illness more or less expensive than accident compensation? Explain.

20. Summarize arguments for and against public health insurance and accompanying "socialized medicine."

21. Describe existing state provisions for public health benefits.

22. Why are hours of employment significant in terms of social goals?

23. Describe long-term trends in working hours in the United States.

24. From what sources are reports on current working hours available?

25. Distinguish actual and nominal hours and indicate how the two usually compare.

26. What are the usual provisions of state laws on hours of work?

27. Describe provisions of the Fair Labor Standards Act with respect to hours of employment.

28. Explain the issue involved in arguments over "portal to portal" pay.

29. Why was there disagreement as to merits of rulings providing overtime payments on premium rates?

30. Why is the conclusion that the relationship of hours to output is curvilinear significant?

31. What considerations should be borne in mind in proposals to limit hours as a means of spreading employment?

Chapter 11

Special Groups, Special Goals: Women and Children

To this point, attention has been almost exclusively directed to situations affecting large cross sections of the labor force as a whole, without special reference to personal characteristics that differentiate various groups within the labor force. Consideration has been given to employment and working conditions affecting all kinds of employees—old and young, men and women, native-born and foreign-born. Problems have been regarded as situations in which society has failed to attain goals that have been set for the labor force as a whole.

Students of manpower economics will recognize the fact, however, that there are special as well as general social goals; that modern societies have developed certain goals for some members of the labor force that do not apply to others. For example, modern society has expressed special concern about women employees, about children who are working, about aged members of the labor force, about minority racial and nationality groups, about immigrants who come to this country seeking employment and migrants who move from one section to another, and about members of the labor force who are held in prisons throughout the nation. These are among the more important and well-defined special groups. At various times and under unusual circumstances, other groups have been singled out for particular attention. Thus, for example, in the period of acute manpower shortage in World War II, agricultural labor occasioned particular concern, and employees in "essential industries" were differentiated from those in others regarded as "less than essential."

For each of the special groups mentioned, "special" or added or distinctive goals have been defined. In efforts to attain these goals, special rules and regulations are enforced. In some instances, these rules appear to be satisfactory; under their influence goals are attained or satisfactory progress appears. In other instances, goals are not reached; such situations represent additional labor problems.

1.0 Special Goals

In earlier discussions, frequent reference has been made to noneconomic values apparent in many social goals. Among the most elementary and basic of social goals with respect to the employment of manpower are those that seek "full" personality development and active participation

in social and political life. It has been noted that several types of values are sought in the establishment of these social goals. Economic values are but one of several types that must be balanced. In some instances economic considerations must be sacrificed, at least to a degree or for a period of time, to attain other types of values that are regarded as of greater immediate importance.

Examples of balancing and offsetting one objective against another are especially evident in considering labor problems of special groups. Thus in the employment of women, society has had to balance values to be gained by facilitating the function of women as homemakers against their values as full-time employees in industry. Costs of special regulations limiting hours of work, the provision of extra toilet and rest-room facilities, chairs, and other refinements in working conditions have to be balanced against such longer term social values as lower rates of infant mortality, more adequate child care, lessened juvenile delinquency, and related conditions. In the case of prison labor, values to be attained by providing training for prisoners in a useful occupation, allowing them to produce goods for which there is a popular demand, and permitting them to earn and receive wages while imprisoned have been balanced against the effects of competition by prison-made goods on markets in which the similar products of free labor are bought and sold.

Other examples will suggest themselves. With respect to child labor, society has been forced to weigh the obvious economic gains to be achieved from the employment of children against effects of their competition in labor markets and against long-term values to be attained from their further preparation for a working lifetime. Considerations of family welfare, juvenile delinquency, and immediate and longer term health hazards must also be regarded in appraising the employment of children.

Societies, like men, do not live by bread alone. Many values that may be opposed to immediate economic gains deserve and receive consideration. Particularly in the case of such special groups as have been mentioned, this conflict of goals frequently has been resolved in favor of noneconomic goals, although the latter may sometimes be reconciled with longer term manpower conservation. Immediate objectives may result in underutilization of certain human resources.

"Uneconomic" or "noneconomic" goals are thus entirely understandable. At the same time, the price paid for them should be clearly recognized. The decision as to whether that price is reasonable, in terms of the benefits gained, must be made by members of the societies that maintain these goals. Students of manpower economics and labor problems would be presumptuous if they insisted that uneconomic objectives are objectionable because they appear at least temporarily to ignore economic considerations. On the other hand, it is important that

societies fully appreciate the price they pay in economic terms for the values thus secured.

2.0 Special Problems of Working Women

Several reasons explain the identification of employed women as a "special" group in the labor force. Basic to most of them is the general recognition that, at least in terms of the culture of western civilization, women represent the principal homemakers and hold major responsibility for the home training of children. Modern society places a high value on the family as an institution and considers home training a matter of social concern in the preparation of children for responsibilities of citizenship. Hence, employment of women in industry is controlled in part to facilitate their maintenance of homemaking functions. This objective explains some of the rules with respect to hours of work, splitting of shifts, and prohibitions of employment in certain industries that presently refer to women in industry.

Closely related if not a part of the same consideration is recognition of the social interest in childbearing. Strong, healthy children are recognized as a societal asset, while high infant mortality and unhealthy childhood are regarded as liabilities. Restrictions placed on working hours and working conditions for women represent in part efforts to improve the health of mothers and children.

To some extent, such regulations are built on a recognition of the possibility that employment has some special hazards for women. There is evidence that women are more susceptible to certain industrial poisons than men and that such poisons affect reproductive functions. Lead poisoning, for example, has appeared to be related to female sterility, miscarriage, and stillbirth.

Society has been concerned also about possible effects of employment on the morals of women. It is not by accident that the earliest British legislation on the subject (1802) was called the Health and Morals Act. Employment has been recognized as giving women an independence that may cause them to regard marital bonds less seriously. It removes them from the protective isolation of the home and brings them into daily contact with male employees, sometimes under circumstances that may encourage family disorganization. In general, the extensive and long-term employment of women runs counter to the long-established maxim that "a woman's place is in the home."

Finally, special concern for women employees reflects the fact that they are relative newcomers in many industries and occupations. They have not acquired long experience. Even in those industries which have employed women for many years, the comparatively rapid turnover of

women employees tends to result in lesser experience for individuals. They may not, as a result, hold the same attitudes toward their work as do male employees in the same occupations. They may regard it as of temporary importance. They may be less critical of wages and working conditions. They may have less interest in union organization.

2.1 *Historic Patterns of Employment for Women.* Gainful employment of women is not a distinctly novel phenomenon of the present industrial civilization, although women's work in earlier periods was generally unpaid labor. In primitive societies, women performed almost as numerous and as varied tasks as did men, but some specialization was apparent even then. Generally this early division of labor was based primarily upon sex differences. Women found household tasks, cooking, the preparation of clothing, and the tending of agricultural plots or patches delegated to them, because they were kept at home by their more intimate relationships with children. In the "agricultural" stage or period, this division of labor became more fixed, and the appearance of a class of independent male artisans encouraged acceptance of this specialization as customary and proper.

With the coming of factories, this situation was changed, for women employees were frequently as useful and efficient in certain types of factory production as were the more experienced male artisans of the older handicraft system. Changes begun by the industrial revolution and continued in the further development of power machinery have served to bring increasing numbers and proportions of women into manufacturing employment. The fact that women's earnings appeared necessary to the maintenance of working-class families in the early factory period encouraged continued employment of women.

As the economic status of employees improved in the nineteenth century, employment of housewives appeared less necessary. The idea of woman's proper function as the homemaker was revived, especially in the United States. Increased earnings made occupancy of this proper sphere increasingly possible for a greater portion of women. Older, chivalrous philosophies again appeared; women were placed upon industrial, social, and moral pedestals; and the goal of protecting them from the crasser and rougher aspects of industrial employment became a matter of social idealism.

In the United States, this transition was well under way at the time of the Civil War. During that struggle, as is commonly the case, labor became scarce, and women were encouraged to enter war industries as a gesture of their patriotism. Their participation at this time may be regarded as one of the beginnings of what is described as their "emancipation." After the war, when immigration increased, there was a tendency to supplant women employees and to discourage their participation, but

their numbers have never receded to a level comparable to that which characterized the period prior to the war.

Numerous social changes have encouraged their increasing participation since that time. Expanding use of machinery has continued the leveling process noted as one of the earliest effects of the industrial revolution. As greater power has been placed at the disposal of each employee, need for physical strength has been lessened accordingly, and numerous tasks that formerly required brawn no longer place a premium upon this characteristic. "Job breakdown," in which skilled operations are separated from less difficult operations, has increased the number of semiskilled jobs of the type which women frequently seek. At the same time, relaxation of older sex mores in society has added to the availability of women for industrial positions. Numerous tasks formerly performed in the home have been taken over by factories, laundries, and other service establishments. Women have found increasing training opportunities for participation in industry, business, and the professions. Enrollments of women in educational institutions show constant expansion.

TABLE 11.1. NUMBERS AND PERCENTAGES OF WOMEN IN THE LABOR FORCE, 1870–1948[1]

Year	Number of women	Percentage of all women (10 years of age or over)	Per cent of all persons in the labor force
1870	1,836,000	13 1	14.7
1880	2,647,157	14 7	15.2
1890	4,005,532	17.4	17 2
1900	5,319,397	18.8	18.3
1910	7,444,787	21 5	19.9
1920	8,636,512	21 4	20.4
1930	10,752,116	22.0	22.0
1940	13,840,000	28.4	25.2
1947 (April)	16,323,000 (14 years and over)	29.8	27.5
1948 (April)	17,155,000 (14 years and over)	31 0	28.2

[1] Data represent a combination of census data on gainfully occupied and labor force from Women's Bureau *Bulletin* 75, 1929; "Women Workers in Two Wars" *Monthly Labor Review*, Reprint, Serial No. R 1581, 1944; Census Bureau, Monograph IX, *Occupation Statistics*, 1932; Census Bureau, *Population—Special Reports*, Series P-44, No. 12, June 12, 1944; John Durand, *The Labor Force in the United States, 1890–1960*, New York, Social Science Research Council, 1948, p. 208; *Current Population Reports, Labor Force*, Series P-50, No. 11, Dec. 23, 1948.

2.2 Numbers and Proportions of Employed Women. Results of these changes are notable in statistics of women in the labor force. While early enumerations did not use the "labor force" concept but referred rather to the "gainful employed," a rough comparison is possible, as is illustrated in Table 11.1. From the table, it may be noted that proportions of

eligible women who are in the labor force have more than doubled since 1880.

This expansion is apparent also in the increasing proportion of the total labor force that is composed of women employees. If allowance is made for such errors as are introduced by comparisons of the earlier concept of "gainfully employed" with the currently preferred "labor

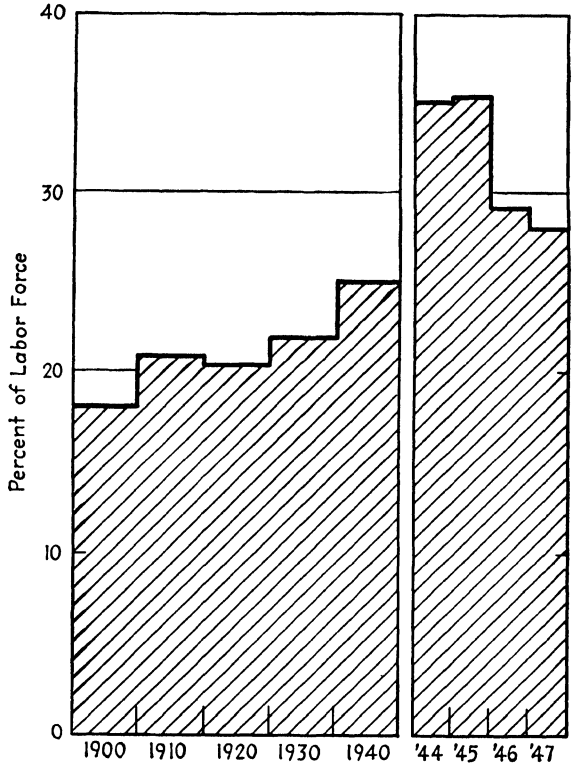

FIG. 11.1. Women as a percentage of the labor force, 1900–1947. (*From Business Week, Mar. 20, 1948; Census Bureau data.*)

force," it may be noted that women made up approximately 14.7 per cent of the total in 1870 as compared with 28.2 per cent in 1948. (The 1920 figure is not closely comparable, due to change in the enumeration procedure.)

During World War II, when large numbers of former homemakers and others not normally in the labor force were encouraged to take jobs, this proportion rose to above the 35 per cent level. These changes are illustrated in Fig. 11.1.

There is good reason to expect this long-term trend to continue. Of course, many women drawn into wartime employment on a temporary

basis have left the labor force. Some of them have retained employment during the years of unusual postwar business activity but will leave when jobs are scarcer. In general, however, long-term prospects are for larger numbers and larger proportions of female labor force members than in any earlier normal period. That is apparent from the size of prospective annual additions to the labor force. As reported by the Census Bureau, the average annual increase in the labor force consisted of 498,000 males and 219,000 females in the decade from 1920 to 1930. From 1930 to 1940, it averaged 328,000 males and 262,000 females. From 1940 to 1945, however, the average annual increase was 329,000 males and 335,000 females. For 1945 to 1950, average increases are estimated at 185,000 males and 324,000 females.[1]

2.3 *Marital Status.* Increasing participation in employment by women has also meant that more married women seek and secure employment. In 1890, 13.9 per cent of employed women were married. By 1900, that proportion was 15.4 per cent; by 1910 (data not strictly comparable), it was 24.7 per cent; by 1920, 23 per cent; by 1930, 28.9 per cent; and by 1940, 36 per cent. Data from the census sample for 1947 show some 46 per cent of all women in the labor force to be married, while an additional 16 per cent represents those widowed or divorced (see Fig. 11.2). The sample census of April, 1948, found 34.6 per cent of all women in the labor force to be single, 48.3 per cent to be married, and 17.1 per cent widowed and divorced.[2]

2.4 "*Secondary*" *Employment of Women.* The fact that for many employed women, entrance to the labor market is "forced" by family needs is suggested both by the proportions of married women in the labor force and by a comparison of proportions of working wives in families having varying income from the husbands' employment. The Women's Bureau reported 22.6 per cent of wives working in families where husbands' income was from $1 to $1,000; 18.8 per cent where husbands' income was from $1,000 to $1,500; 14.0 per cent for incomes of $1,500 to $2,000; 9.2 per cent for $2,000 to $3,000; and 5.6 per cent for over $3,000.[3]

2.5 *Ages of Women Employees.* As might be expected, women participants are, for the most part, young. In 1940, for example, of the 13 million employed women, the largest age group was that from 20 to 24

[1] *Population—Special Reports,* Series P-44, No. 12, June 12, 1944. See also Hazel Kyrk, "Who Works and Why," *Annals of the American Academy of Political and Social Sciences,* Vol. 251, May, 1947, pp. 44–52.

[2] See *Current Population Reports, Labor Force,* Series P-50, No. 11, Dec. 23, 1948, p. 9.

[3] Reported in *Business Week,* Mar. 20, 1948, p. 116. For an extensive discussion of secondary employment, see H. G. Heneman, Jr., "Measurement of Short-run Family Participation in the Labor Force," unpublished Ph.D. thesis, Minneapolis, Graduate School, University of Minnesota, 1948.

years, with 2.688 million in that group. The 25–29-year group included 2.01 million; the 30–34-year group, 1.6 million; the 35–39-year group, 1.4 million; the 40–44-year group, 1.1 million, with smaller numbers in all older age groups.[1] On the other hand, a tendency toward employment of somewhat older women may be noted from the data shown in Fig. 11.3. In 1948, the sample census found that largest percentages of total popula-

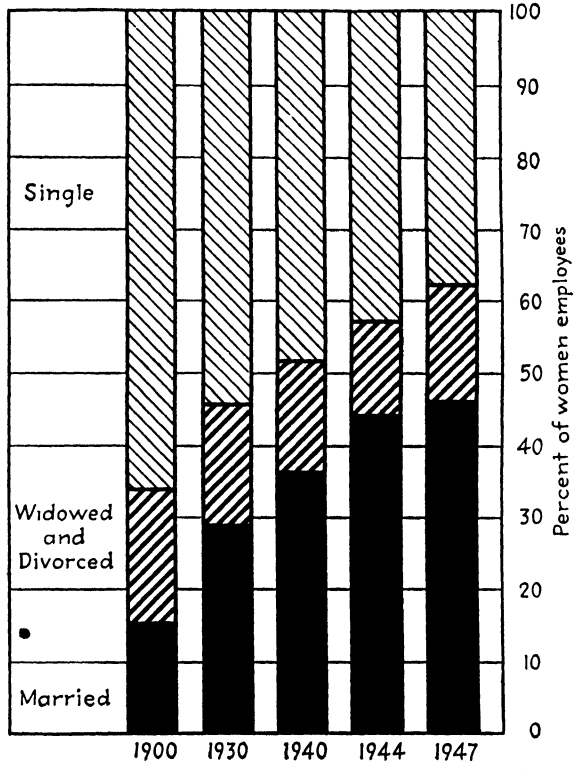

Fig. 11.2. Marital status of women in the labor force, 1900–1947. (*Census Bureau data; figure from Business Week, Mar. 20, 1948.*)

tion represented by women in the labor force were in age groups 18 and 19 years (49.3 per cent) and 20 to 24 years (44.7 per cent). Of the 17,155,000 women then in the labor force, 4.3 per cent were 14 through 17 years of age, 22.2 per cent were 18 to 24 years, 22.4 per cent were 25 to 34 years; 21.9 per cent were 35 to 44 years, 26.2 were 45 to 64 years, and 3.0 were 65 and over. The median age of women in the labor force was 36.3 years in 1940, 37.9 years in 1947, and 38.2 years in 1948.[2]

[1] John Durand, *The Labor Force in the United States, 1890–1960*, New York, Social Science Research Council, 1948, pp. 208–209.

[2] *Current Population Reports, Labor Force*, Series P-50, No. 11, Dec. 23, 1948.

2.6 *Industrial and Occupational Distributions.* Women have found employment in all industrial classifications maintained by the Bureau of the Census. But they have tended to enter manufacturing and trade in larger numbers than other major industrial classifications. In earlier years, domestic services accounted for large numbers of women employees.

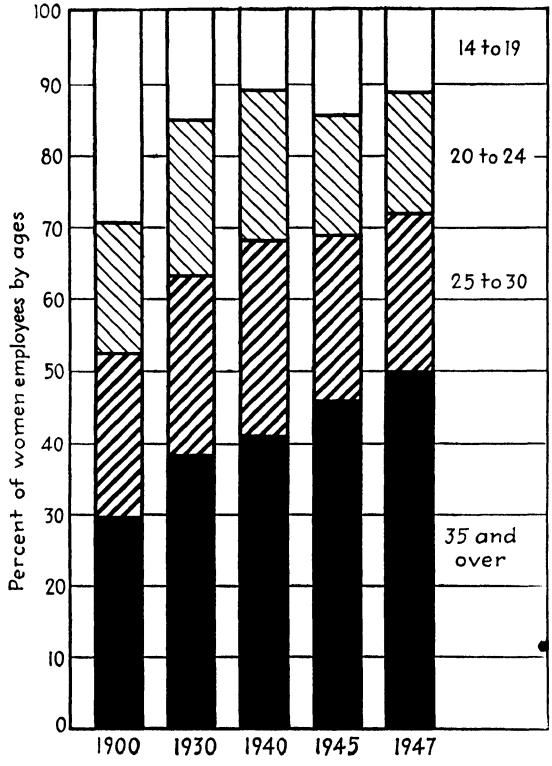

FIG. 11.3. Age distribution of women in the labor force, 1900–1947. (*Census Bureau data from Business Week, Mar. 20, 1948. Data may be brought up to date by reference to Census Bureau Monthly Report on the Labor Force.*)

In 1870, more than 60 per cent of all employed women were included in this classification.

Changes in the industrial distribution of women in the labor force are shown in Table 11.2. Longer term comparisons are difficult, because census classifications have been changed, so that earlier summaries are not strictly comparable. The table indicates, however, the increasing participation of women in manufacturing and trade and the sharp decline in domestic service. Notable also are increased numbers and proportions of women in government service and in agriculture. World War II

exerted a strong influence to bring women into practically all industrial classifications, although manufacturing and business provided greatest demands for their services.[1]

TABLE 11.2. INDUSTRIAL DISTRIBUTION OF WOMEN IN THE LABOR FORCE, 1940 AND 1948[1]

Major industry group	1940		1948 (April)	
	Number, thousands	Percentage	Number, thousands	Percentage
Agriculture	511	4.1	1,024	6.2
Forestry, fishing, and mining	15	0.1		
Construction	46	0.4	48	0.3
Manufacturing	2,616	20.9	4,045	24.4
Transportation, communication, and other public utilities	358	2.9	738	4.5
Wholesale and retail trade	2,225	17.0	3,829	23.2
Finance, insurance, and real estate	472	3.7	829	5.0
Business and repair services	83	0.7	127	0.8
Domestic services	2,296	18.3	2,857	17.3
Other personal services	894	7.2		
Amusement, recreation, and related services	97	0.8	143	0.9
Professional and related services	1,963	15.7	2,190	13.2
Government	373	3.0	700	4.2
Industry not reported	634	5.2		
Total	12,574	100.0	16,530	100.0

[1] Census Bureau data; 1948 data refer to those employed and are taken from "Consumer Income," *Current Population Reports*, Series P-60, No. 5, Feb. 7, 1949.

Government statistics, as was noted in Chap. 2, do not maintain too sharp a line in differentiating industries from occupations.[2] Hence, to understand the changing pattern of women's participation, reference may well include changing "occupational" distributions of women in the labor force. Table 11.3 summarizes statistical evidence on this point.

The largest single occupational classification for women is that of clerical workers, while the class of "operatives" (largely semiskilled machine tenders) is second. Domestic service is third, although the tendency toward the decline of this classification is unmistakable. The

[1] For greater detail, see Elisabeth D. Benham, "Employment Opportunities in Characteristic Industrial Occupations of Women," Women's Bureau *Bulletin*, 201, Washington, 1944; John D. Durand, "The Post-war Employment of Women in the United States," *International Labour Review*, Vol. 48, No. 6, December, 1943, pp. 695–713; "The Occupational Progress of Women, 1910 to 1930," Women's Bureau *Bulletin*, 104-A, Washington, 1940.

[2] See, as illustrative, numerous reports of the Women's Bureau and the Bureau of the Census. This situation has improved since World War II.

TABLE 11.3. CHANGING OCCUPATIONS OF EMPLOYED WOMEN, 1940–1948[1]

Occupational classification	1940		1945		1947		1948 (April)	
	Number, thousands	Per cent of all employed women	Number, thousands	Per cent of all employed women	Number, thousands	Per cent of all employed women	Number, thousands	Per cent of all employed women
Professional and semiprofessional	1,570	13	1,510	8	1,540	10	1,584	9.7
Proprietors, managers, officials (except farm)	450	4	800	4	780	5	974	5.9
Farmers, farm managers, foremen, and laborers	690	6	1,930	10	910	6	915	5.5
Clerical	2,530	21	4,900	25	4,130	26	4,497	27.2
Sales	830	7	1,440	8	1,320	8	1,401	8.4
Craftsmen, foremen, etc.	110	2	300	2	160	1	184	1.1
Operatives, etc.	2,190	18	4,610	24	3,420	22	3,429	20.7
Domestic service	2,100	18	1,670	9	1,690	11	1,671	10.1
Service (except domestic)	1,350	11	1,980	10	1,770	11	1,797	10.9
Laborers (except farm)	100	—	170	—	80	—	78	0.5
Total	11,920	100	19,310	100	15,800	100	16,530	100 0

[1] Data from Harold Wool and Lester M. Pearlman, "Recent Occupational Trends," *Monthly Labor Review*, Vol. 65, No. 2, August, 1947, pp. 139–147; *Current Population Reports, Labor Force*, Series P-50, No. 11, Dec. 23, 1948; "Handbook of Facts on Women Workers," *Bulletin* 225, Women's Bureau, 1948; "Consumer Income," *Current Population Reports*, Series P-60, No. 5, Feb. 7, 1949.

participation of women in professional and semiprofessional occupations deserves special note, as does their active participation in the provision of services, for service occupations as a whole have increased rapidly as modern society has become urbanized. Women's occupations have, in other words, tended toward the occupational classes in which there is greatest recent and prospective growth. That is, in a sense, fortunate, for it appears certain that women will become an ever-increasing factor in the total labor force.

Certain occupations represent the special province of women. Thus, in 1940, women composed more than 90 per cent of all housekeepers, dressmakers, nurses, telephone operators, stenographers, secretaries, and domestic servants. More than three-fourths of all laundry employees, operatives in apparel and accessories factories, and schoolteachers were women. Women made up more than two-thirds of all waiters and waitresses.[1]

Increased numbers of women in service occupations—in beauty parlors, hotels, restaurants, and telephone offices, for example—are a matter of daily observation. What is not so obvious is their more prominent place in the professions and in business. They are an important element among stockholders in prominent corporations—in some cases, a majority; they are active in trading in grain, produce, and stock markets; more than one million of them are working in their own business, profession, or trade. Some 300,000 women operate farms. Eight per cent of all employed women in 1947 were self-employed. In that year, women comprised 61 per cent of all clerical workers, 44.1 per cent of all service workers, 93.9 per cent of those in domestic service, 37.8 per cent of salesmen, and 11.5 per cent of the proprietors, managers, and officials in the nation.[2]

2.7 *Wartime Participation.* As has been noted, wars have tended to increase the participation of women in the labor force. They have opened new avenues to employment for women. World War II was no exception to this rule. The labor force of the nation was expanded from some 45 million to more than 64 million. The war, according to careful estimates, caused an addition of more than 3,000,000 women to the labor force, beyond the normal expansion as indicated by the long-term trend. Employed women increased from 12,090,000 in December, 1941, to 16,480,000 in March, 1944. Because many women were in and out of the labor force in this period, it is estimated that not less than 6,650,000 women were new entrants to the labor force. Postwar economic activity and strong demands for manpower encouraged one-half million of these "extras" to remain in the peacetime labor force. Principal with-

[1] "Handbook of Facts on Women Workers," Women's Bureau *Bulletin* 225, 1948.

[2] Women's Bureau, "Facts on Women Workers," Dec. 31, 1947.

drawals were among younger women who left employment to become homemakers.[1]

3.0 Economic Problems

Women in the labor force create distinctive economic problem at the same time that they make a major economic contribution. Their addition to the labor force constitutes an obvious increase in manpower resources available for utilization. But the fact that they are regarded in some labor markets as newcomers and as a separate group, distinct from usual long-term employees, gives rise to complications. Should there be objection to a wage differential in which women receive and accept lower wage rates than male employees doing essentially the same tasks? Do women tend to displace men? Are there reasons why men should be given a priority in employment if jobs are limited? Shall women be granted equality in seniority systems? These are but a few of the more obvious questions raised by the entrance of additional numbers of women employees into an ever-widening range of labor markets.[2]

3.1 *Women's Wages.* As a whole and for all industries and occupations, women's wages are distinctly lower than those of men. That can be said, regardless of the measure of wages—hourly or daily rates or weekly or annual earnings—that may be selected. Numerous examples and volumes of evidence could be submitted. In general, the average of women's wages is less than 60 per cent of the average for men.[3]

There are, however, many obvious explanations for such a difference. Indeed, reasons are so obvious as to make such an over-all, general comparison of questionable significance. A few of the most important reasons for this difference may well be noted, as follows:

1. Women's employment is predominantly in the lower paying *industries.* Men's wages in these industries are also comparatively low. Among the most important of these industries are the textile industries, wearing apparel, confectionaries, and boot and shoe and tobacco manufacturing. They must be contrasted with metal and automobile manufacturing, agriculture, petroleum refining, and other similar "heavy" industries, in which proportions of male employees are high.

[1] For reports on women in wartime employment, see Ethel Erickson, "Women's Employment in the Making of Steel, 1943," Women's Bureau *Bulletin* 192-5, Washington, 1944; Frances P. Harnish, "Women's Employment in Foundries, 1943," Women's Bureau *Bulletin* 192-7, Washington, 1944; Mary Elizabeth Pidgeon, "Changes in Women's Employment during the War," Women's Bureau *Special Bulletin* 20, June, 1944.

[2] For an excellent discussion of these and related problems, see the special issue on "Women's Opportunities and Responsibilities," *Annals of the American Academy of Political and Social Science,* Vol. 251, May, 1947.

[3] For additional data, see Dorothy S. Brady, "Equal Pay for Women Workers," *Annals of the American Academy of Political and Social Science,* Vol. 251, May, 1947, pp. 53–60; also "Differentials in Pay for Women," Women's Bureau, mimeographed, November, 1945.

2. Within these industries as well as in trade, the professions, and services, the *occupations* employing large numbers of women are the lower paid occupations. Put another way, it may be said that women tend to enter the lower paid occupations, even in the higher paid industries. Thus, in manufacturing, women are chiefly employed as semiskilled or unskilled operatives. In trade, a large portion of all those employed are clerks. Large numbers of women are employed as domestic servants.

3. The age groups represented prominently by women employees are also the lower paid ages. Larger numbers of employed women are young. They remain in the labor force only for a relatively short period. Men in the same age groups show distinctly lower wages than do older, more experienced male employees.

4. Working women include unusually high proportions of racial and nationality groups that enter low-paid jobs. Proportions of Negroes and of foreign-born women who seek employment are greater, frequently double, the proportions of native white women seeking jobs.

5. The competitive position of many women in various labor markets has been much less advantageous than that of men, for several reasons. Women have not been as mobile. They have been "tied down," by the fact that they sought work only in the area where their husbands were employed or that they have other family responsibilities that cannot be shifted. They have been short-term employees with little seniority. They have found fewer opportunities to join unions and to bargain collectively. They have been employed in industries and occupations—for example, in domestic service and in industrial homework—in which organization is difficult. Some unions have not welcomed them as members.

Even where women have been employed on the same jobs, however, differentials in rates of pay favoring male employees are frequently encountered. What explanation can be found for such practices?

Possibly the most obvious and realistic reason for such "sex differentials" is the fact that supplies of women's services are available at lower rates. Because of family relationships and other noneconomic considerations, supplies of women job seekers in some markets have been so numerous that demands can be filled at rates below those paid men.

At the same time, it is possible that added costs of employing women may help to explain these differentials. Lower rates paid women may reflect these added labor costs. Added overhead costs occasioned by employment of women tend to reduce their net productivity, so that they may be employed only if rates reflect a deduction of these added costs. At equal rates, employers may prefer men. For instance, women employees are absent more than men. Legal regulation of hours of employment for women is more complicated. That may occasion incon-

venience and expense. The laws of many states require special provisions in the working environment of women. Rest rooms, chairs, safety devices, and other special arrangements are often prescribed. Rates of labor turnover among women are generally higher than those of male employees, a condition that increases labor costs. The inclination of women to regard employment as temporary may cause them to avoid responsibility on the job. The fact that they will probably not stay long may reduce their value to an employer, for a considerable part of the wage paid to young employees is considered worth while as an investment that will "pay dividends" later.[1]

3.2 *Equal Pay Rules.* Recent years have seen increasing agitation for "equal pay" rules and laws, which require equal rates of pay to men and women in the same job classifications. Such requirements have frequently appeared in the terms of collective agreements. The principle of equal pay was described in the preamble to the constitution of the Knights of Labor in 1878.

Two states, Michigan and Montana, enacted laws requiring equal pay as early as 1919. By 1948, nine states had such legislation.[2] Federal legislation has been proposed. During World War II, War and Navy Departments and other procurement agencies specified the equal pay principle. The War Labor Board accepted the principle as official policy in its General Order No. 16.

Enforcement of such legislation is somewhat difficult except in large-scale industry. In smaller organizations, few jobs are identical. Consideration may reasonably be given to values of experience, special training, versatility, acceptance of responsibility, future usefulness, and other qualifications not directly related to specific performance on any single job. Enforcement is easier when labor markets are tight. When surpluses of manpower appear, women may hesitate to insist on equal rates for fear of losing jobs to men.

A word of caution with respect to some "equal pay" campaigns may be appropriate. They may be used, in some situations, to cause discrimination in employment. This is particularly true if hidden costs make women less valuable. If women's jobs have been modified to eliminate heavy lifting or other tasks, while men continue to perform the entire job, or if the performance of women is surrounded with regulations and

[1] An extensive discussion of these points has been presented in Mary Elizabeth Pidgeon's *Women in the Economy of the United States, A Summary Report,* Women's Bureau *Bulletin* 155, 1937; see also "Earnings of Clerical Workers in Illinois and New York Factories," reprint from the *Monthly Labor Review,* March, 1943, pp. 586–590.

[2] New Hampshire, New York, Massachusetts, Rhode Island, Pennsylvania, Michigan, Illinois, Montana, and Washington. See, for a discussion of proposed Federal legislation, "Equal Pay for Equal Work in the United States," *International Labour Review,* Vol. 48, No. 3, September, 1948, pp. 91–94.

requirements that increase the cost of employing them, then careless application of equal pay rules may cause employers to prefer males and thus to discriminate in employment—instead of wages—against women.[1]

3.3 *Supply Curves for Women Employees.* One reason why the usual supply curves—showing how women represent added labor supplies in many markets—are not included here is the fact that they may not be realistic. Such presentations usually indicate that when women invade a market, they appear as an added quantity of labor in lower price ranges. In practice, in those markets in which women are well established, they are not distinguished from male members, so far as labor supplies are concerned. In the markets which they invade in times of economic distress, the whole supply curve is probably changed. This is true because women enter these labor markets as *secondary* or *supplementary* wage earners. They seek employment when the usual breadwinner is unemployed or when his earnings are reduced. Hence, labor supplies in these markets are at such times negatively rather than positively inclined; more manpower becomes avilable at lower earnings than at higher levels. This situation is clearer if weekly earnings rather than hourly rates are regarded as the measure of wages.[2]

3.4 *Displacement of Men.* One of the questions most seriously considered in periods when there is extensive unemployment concerns the tendency of women to displace men in jobs. It is argued that men should have a higher priority because they have major responsibility for family support; that many women employees are married or receive adequate support from their families; that women displace men in part because they will accept lower rates of pay; that the net result is a reduction of purchasing power when an increase is needed to regain prosperity.

These are important and complicated considerations. Some basis for appraising them has been established in preceding paragraphs. That some such displacement takes place is apparent, although its extent is limited by the fact that large numbers of women seek and are qualified for only a limited range of jobs held by men. Generalizations with respect to women's need for jobs are dangerous; in some cases they are the major source of support for a family, while in others they have no such responsibilities and work merely to secure "pin money."

Rules barring married women from jobs have questionable justifica-

[1] For greater detail see Marguerite J. Fisher, "Equal Pay for Equal Work Legislation," *Industrial and Labor Relations Review*, Vol. 2, No. 1, October, 1948, pp. 50–58.

[2] See Wladimir Woytinsky, "Three Sources of Unemployment," Geneva, International Labor Organization, *Studies and Reports*, Series C, No. 20, 1935; also his *The Labor Supply in the United States*, New York, Social Science Research Council, 1936; H. G. Heneman, Jr., "Measurement of Short-run Family Participation in the Labor Force," unpublished Ph.D. thesis, Minneapolis, Graduate School, University of Minnesota, June, 1948 (includes an extensive bibliography).

tion. In many instances, women are forced into labor markets by the unemployment of other "primary" participants. Employment at reduced rates may be the only opportunity for work. Further, it is possible that competition at lower rates may introduce the flexibility in wages in some markets that is necessary to reverse the cyclical swing. It may increase employment, earnings, and purchasing power.

On balance, therefore, it appears doubtful that either social or economic considerations justify any general discrimination against the employment of women or of married women, even in periods of recession.

3.5 *Industrial Homework.* A different conclusion appears reasonable in considering the competition of women engaged in what is generally described as "industrial homework." The term refers to the variety of operations in which partially completed articles or raw materials are sent into the homes of employees to be finished there. The oldest homework industry is probably that of making deerskin gloves, established in Fulton County, N.Y., in colonial times. Another early homework industry is the production of artificial flowers, established by Parisian craftsmen in New York in the 1830's. Other important homework industries include embroidering, the manufacture of jewelry, knitted outerwear, women's apparel, buttons, buckles, and handkerchiefs.[1] Many other tasks are, however, frequently performed in homework establishments. There is no ready measure of the extent of "homework," for no such industrial classification appears in usual enumerations.

Industrial homework has not been confined to women. In earlier years, a large proportion of all employees was made up of men (many of them employed in making men's clothing). But present-day industrial homework is largely an occupation of women.

The significance of industrial homework has been greatly reduced by minimum wage requirements of the Fair Labor Standards Act of 1938, but the practice has by no means disappeared. A study of homeworker certificates or handbooks issued under the "wage and hour law" found, in 1940, that more than 140,000 handbooks had already been issued to employees of 1,474 establishments. New York state had received 52.6 per cent of them and New Jersey 18.7 per cent. More than 2,000 each were issued to employees in Pennsylvania, Illinois, Massachusetts, California, and Iowa, with lesser but significant numbers in Georgia, Kentucky, New Hampshire, Ohio, Rhode Island, and Texas.[2]

[1] For an excellent discussion, see Ruth Crawford, "Development and Control of Industrial Homework," *Monthly Labor Review*, Vol. 58, No. 6, June, 1944, pp. 1145–1158; see also Lazare Teper and Nathan Weinberg, *Aspects of Industrial Homework in the Apparel Trades*, New York, International Ladies' Garment Workers Union, July, 1941.

[2] Crawford, *op, cit.*, p. 1150; see also "Trends in Homework Industries in New York State, 1942–1944," *Monthly Labor Review*, Vol. 60, No. 5, May, 1945, pp. 1010–1011.

Many of the operations in homework are simple, so that semiskilled and unskilled women and children can perform them. Home workshops are generally located in tenement houses. Foreign-born employees make up a large part of all those engaged in homework. The system of industrial homework and the so-called "sweating" system have often specialized in employment of immigrant peoples. Child labor is common in homework, with some studies disclosing children as young as four years of age engaged in this activity.

Wages for homework are considerably lower than those paid for similar work in factories, in spite of employers' saving in overhead under the former system. The marginal productivity of homeworkers is low, because capital equipment is negligible and supplies of labor are vast. Much of the work done in employees' homes has a seasonal demand. As a result, employment shows wide seasonal fluctuations, and hours, in the busy seasons, are likely to be long. At the same time, employment in homework is subject to wide cyclical fluctuations. Contrary to popular belief, it does not increase as outside employment declines, excepting in the case of minor fluctuations. In more serious depressions, homework may accentuate the effects of industrial and commercial recessions by contracting even more than other employment.

3.6 *Sweating.* Before industrial homework became the subject of regulatory legislation, "sweating," as the farming out of needlework upon a piece-rate basis to individual employees was called, had received considerable popular and legislative attention. Sweating is somewhat more limited in scope than industrial homework. The procedure was widely established in the production of clothing, in which manufacturers allocated various portions of their needlework to one or more contractors. The function of the contractor was extremely competitive, and those to whom contracts were allotted were forced to accept low piece rates. Hence the term "sweating." Middlemen, anxious both to secure contracts for work and to make as much as possible out of them, came to be known as "sweaters," and their workshops as "sweatshops." The existence and growth of sweating are largely explained by the possibility of profit from cheap labor and the economies of small establishments in certain fields of production. The advantage of the small production unit arises especially from the seasonality of this type of employment, which makes factory overhead costs large.

Health conditions in "sweated" industries early attracted public attention. Poor lighting and heating arrangements were reflected in impaired eyesight and the prevalence of colds and similar infections. Much of the work was done by persons who were afflicted with serious contagious diseases or in homes in which such diseases existed. Studies of homework in New Jersey and Pennsylvania disclosed homes in which measles,

whooping cough, scarlet fever, influenza, tuberculosis, syphilis, and gonorrhea were prevalent.[1]

4.0 Special Legislation on Women's Employment

Reference has been made to "equal pay" laws. Several other types of legislation have sought to regulate the employment of women. Laws restrict their hours of work. They specify working conditions. They limit the types of work in which women are to be employed. They provide special rules for operations involving homework. They prescribe minimum wages.

4.1 *Hours of Work.* Reference has been made in an earlier chapter to hour regulation as it applies to women. All states have legislation limiting the daily or weekly working hours of women. As early as 1847, the 10-hour day was specified as a maximum for textile mills in New Hampshire and Massachusetts.

Laws generally require hour limitations only in specified industries. Most frequently included in this coverage are manufacturing establishments, mercantile establishments, laundries, restaurants, and hotels. Night work of women is widely regulated, although such regulations are also limited to specified industries. Most commonly included are manufacturing, mercantile establishments, amusements (ticket sellers, ushers), textile mills, and laundries. The usual restricted period is 10 P.M. to 6 A.M. Other common provisions require time out for meals and rest periods.[2]

4.2 *Working Conditions and Facilities.* Most common legal provisions with respect to working conditions, aside from usual factory safety requirements, are those which prescribe special seating facilities for women. Such laws are now well established in all states except Mississippi. They may prohibit temporary or makeshift arrangements and specify foot or back rests, adjustable seats, and other details. Other common requirements include lunchrooms, dressing and rest room facilities, warm and cold running water, and separate toilets, adequately lighted, heated, and ventilated.[3] Some laws simply forbid the employment of women in specified industries or occupations, of which the most common are mining, messenger services, cleaning and moving machinery,

[1] See Nelle Swartz, "Some Social and Economic Aspects of Home Work," *Special Bulletin* 158, Department of Labor, New York, February, 1929.

[2] For details of such laws, see "State Labor Laws for Women, with Wartime Modification," Women's Bureau *Bulletin* 202-I, Dec. 15, 1944, and labor reporting services such as the Bureau of National Affairs, the Commerce Clearing House, and Prentice-Hall's *Complete Labor Equipment.*

[3] For detailed provisions of state laws, see "State Labor Laws for Women, with Wartime Modifications: Part II, Analysis of Plant Facilities Laws," Women's Bureau *Bulletin* 202-II, Washington, 1945, and labor reporting services.

and other heavy jobs. Several states restrict employment directly before and after childbirth, generally requiring a minimum enforced vacation of 12 weeks.

4.3 *Industrial Homework Laws.* Legislation designed to regulate industrial homework in the United States dates from 1884, when New York enacted a statute prohibiting the manufacture of tobacco products in tenements in all cities with populations in excess of 500,000. This law was declared unconstitutional in the following year. In 1892, another law was passed that did not prohibit industrial homework of any kind but required the licensing of homes in which it was carried on. This act was revised in 1913 to include certain prohibitory features. It specified that foodstuffs, dolls, dolls' clothing, and children's clothing could not be manufactured, altered, repaired, or finished in such establishments. It was held to be constitutional in 1915. Since that time, legislation has increased in coverage and in the detail with which it seeks to regulate homework. Twenty-three jurisdictions now have such legislation.[1]

There is now rather general agreement on the desirable features of such legislation. Laws should require homework employers to secure permits or certificates from state authorities and should allow revocation of such permits for objectionable practices. They should specify certain records of employment and payrolls to be maintained by contractors. They should allow administrators to prohibit homework on commodities where it may involve a hazard either to the consumer or to the homeworker. They should provide for enforcement of existing child labor restrictions on homework. They should provide that homework may be prohibited whenever it can be shown to be injurious to homeworkers or to employment standards of factory employees engaged in similar occupations. In the past, practically all regulation of homework has been legally founded on the protection of consumers rather than the homeworker.

The status of state legislation on industrial homework in 1947 is graphically summarized in Fig. 11.4. In 1949, Puerto Rico, the District of Columbia, and 21 states had legislation prohibiting or regulating such employment. Eleven state laws authorize the prohibition of homework.

Meanwhile, minimum wage provisions of the Fair Labor Standards Act have been used to effect Federal control over the more important homework industries. The administrator has issued orders prohibiting homework production of goods for interstate commerce, except by homeworkers who have certificates allowing such employment. These certificates are issued upon a showing that the employee formerly engaged in homework, that he cannot adjust to factory employment, or cannot leave the home without undue hardship. Such orders have been issued for all

[1] See "State Labor Laws for Women, with Wartime Modifications: Part IV, Analysis of Homework Laws," Women's Bureau *Bulletin* 202-IV, Washington, 1945.

major homework industries, which are also required to pay the legal minimum wage.

4.4 *Minimum Wage Laws.* Minimum wage laws are said to have originated in the province of Victoria in Australia by act of the provincial legislature in 1896. The first act established minimum wages for only five specified occupations. England, most of the European nations, Canada, Argentina, Uruguay, South Africa, and the United States have since made provisions for minimum wages for specified groups. Although

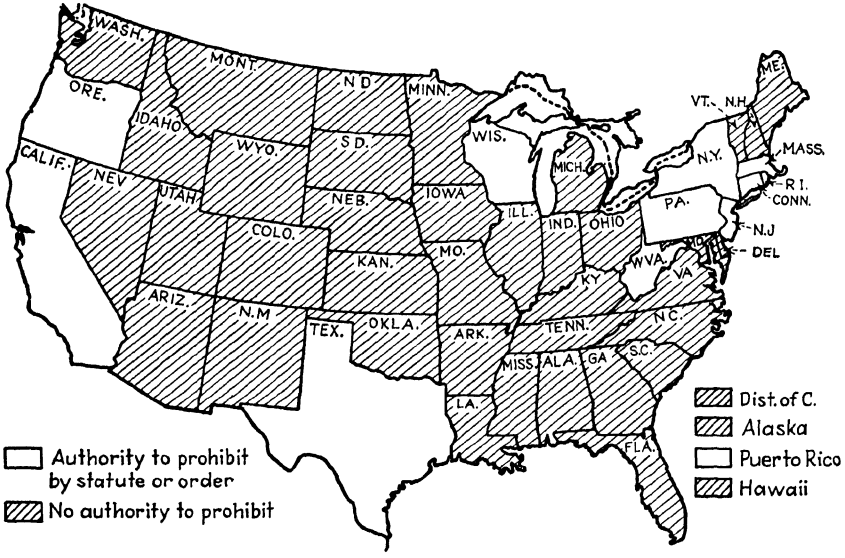

FIG. 11.4. Homework legislation, 1947. (*Reproduced from the Labor Information Bulletin, June,* 1947, *p.* 19.)

the laws of most nations have applied to employees of both sexes, those enacted by various jurisdictions in the United States have only recently included adult men engaged in private employments. The Federal Fair Labor Standards Act of 1935 is, of course, a notable exception to this rule, as are the various Federal and state "prevailing wage" and "public contract" laws.

Most common provisions of state minimum wage laws in the United States may be outlined briefly as follows. Ordinarily they apply to women and minors. Laws usually provide for appointment of a state minimum wage board and for detailed administration of the acts through that board. Boards make studies to determine costs of living in various localities and, on the basis of such investigations, determine what shall be regarded as minimum wage rates. The latter may be adjusted upward or downward with changes in living costs under a specified procedure.

(A few of the older acts provide for fixed or "flat" rates, but the trend is clearly toward flexible provisions.)

After study and public hearings, boards issue what is known as a "directory order" or "directive" informing employers of their obligation to observe the specified minimum. After a specified period, the board may make the order mandatory. Failure to comply thereafter is subject to penalty, including fine or imprisonment, or both.

Minimum wage laws have had a difficult time in the courts since the enactment of the first such law by Massachusetts in 1912. At first, all attempts to enact such legislation resulted in laws that were held unconstitutional. Then the attitude of the United States Supreme Court underwent a slow transformation, resulting in one 4 to 4 tie (Oregon's law, 1917),[1] a 5 to 3 decision that the District of Columbia law was invalid (1923),[2] a 5 to 4 decision against the New York law in 1936,[3] and a 5 to 4 decision in favor of the Washington law in 1937.[4] After 1937, the constitutionality of such legislation appeared to be established, and state legislatures moved rapidly to enact laws. Twenty-two states have put such laws in force during the years since that decision.

Minimum wage provisions of the Federal Fair Labor Standards Act have been considered in an earlier discussion. Here it may be noted, however, that the Act established a general minimum wage for persons closely related and directly essential to the production and distribution of goods in interstate commerce and established industry committees to recommend special minima for individual industries.[5]

4.5 *Economic Impact of Legislation.* Through all such legislation, social goals of improving living scales, encouraging family life, and maintaining long-term manpower conservation are clearly evident. Social objectives place greater weight, so far as the employment of women is concerned, on these values than on immediately efficient utilization. Put another way, social objectives stress these long-term gains even though that emphasis may require numerous inefficiencies in immediate utilization of womanpower. What has been the effect of such regulations? Have they resulted in lesser demands for women as employees and lesser income to those who work?

Evidence on this question is distinctly limited. Added research is needed. Opinions are widespread and are ardently defended, but facts

[1] *Stettler v. O'Hara*, 243 U.S. 629 (1917).

[2] *Adkins v. Children's Hospital*, 261 U.S. 525 (1923).

[3] *Morehead v. People ex rel. Tipaldo*, 298 U.S. 597, 57 Sup. Ct., 918.

[4] *West Coast Hotel v. Parrish et al.*, 300 U.S. 379, 57 Sup. Ct. 578.

[5] For details on this phase of the law, see Harry Weiss, "Minimum Wage Fixing under the United States Fair Labor Standards Act," reprint from *International Labour Review*, Vol. 51, No. 1, January, 1945. The stated minimum was increased in 1949, from 40 cents to 75 cents per hour. Some 1½ million employees were directly affected by this change.

are scarce. In part, effects of such situations are clouded by the more inclusive influence of seasonal and cyclical fluctuations. In part, they are obscured by dependence on area-wide or nation-wide statistics in which changes in one market balance those in another, so that only the "average" effect is apparent. What is needed is a whole series of carefully designed experiments and reports on what has taken place in sharply defined local labor markets.

4.51 *Equal pay legislation.* Arguments for equal pay have been noted. The guiding principle, it may be said, is that payment is for the job done, not the person who does it. Hence, if women do the same job as well as men, it is argued that they should receive the same compensation. Any other arrangement must mean either that employers "exploit" women employees, *i.e.*, secure a special profit from their work, or that the public is "subsidized" by securing goods and services at lower costs than are equitable in terms of the cost of substituting male employees in these jobs. Such subsidization, according to the ardent proponents of equal pay rules, is unethical and unjustifiable.

On the other hand, consideration should probably be given to the fact that the "subsidized" public may prefer not to buy some of these goods and services if they cost more. If demand is greatly reduced by cost and price increases, employment and income must fall.

4.52 *Minimum wage laws.* Economic implications of minimum wage laws have been debated since the first such legislation was proposed. Proponents claim that laws raise wages, that employers and employees are agreed as to their desirability, that their influence on consumers' costs is negligible, that they do not occasion unemployment. Opponents insist that they tend to become maximum as well as minimum wages, that they increase unemployment, and that they place an unreasonable burden on consumers. Several studies have been made.[1] In general, they report that minimum wages have not become the maximum and that increased wages occasioned by such legislation have exerted an inconsequential influence on product prices. They find no evidence that employment was seriously affected.[2]

Many of the studies could not separate effects of minimum wage adjustments from other changes—in general price levels, employment, and business activity. Only the more recent studies have considered these effects on a firm or local rather than a regional basis. It is possible if

[1] See, for example, Mary E. Pidgeon, *Women in the Economy of the United States of America*, Washington, Women's Bureau, 1937, Part 2, Chap. II.

[2] See "The Effect of Minimum Wage Determination in Service Industries," Women's Bureau *Bulletin* 166, 1938; Domenico Gagliardo, "The Kansas Industrial Welfare Act," *Kansas Studies in Business*, No. 15, 1934; V. P. Morris, *Oregon's Experience with Minimum-wage Legislation*, New York, Columbia University, *Studies in History, Economics, and Public Law*, No. 320, 1930.

not probable that the effects of such legislation vary from industry to industry, from firm to firm, and even from occupation to occupation. In certain cases, the provision may merely force wages closer to substitution costs of services where, for instance, restricted labor mobility may have prevented a free market. In still other instances, if competition is keen, employers may be constrained to make more efficient use of employees whose wages are arbitrarily raised and to discharge less efficient producers. Under similar circumstances, if no increase in efficiency is possible, then some employers may be forced out of the market, thus decreasing employment and production so that society may be forced to pay for its wage-raising legislation in higher prices and lesser supplies of goods.

In order that social action may be well-informed and effective, the nature of circumstances that occasion each of these results should be clearly defined. To that end, there is room for more research directed at specific applications of minimum wage adjustments.[1]

5.0 Problems of Child Labor

Frequent reference has been made, in preceding paragraphs, to problems of children. They represent another "special group" in the manpower resources of the nation. The special problems they involve are generally referred to as those of "child labor." They are in many respects similar to those arising out of the employment of women.

"Child labor" problems have been separately and distinctively treated in legislation. Earlier societies, including that of the American colonial period, frequently regarded the employment of children as a solution rather than a problem. They considered jobs for children as means of keeping them out of mischief and of instilling habits of thrift and industry as well as freeing local governments of the expense of aiding dependent children. The cotton mill built in 1789 by the Federal government of the United States was manned largely by boys and girls seven to twelve years of age. An early report (1832) indicates that children seven to sixteen years old made up two-fifths of all factory employees in New England. As a means of supporting children, keeping them out of

[1] See, in this connection, the early discussions of economic implications of minimum wages in Paul H. Douglas, *The Theory of Wages*, New York, The Macmillan Company, 1934, p. 252; H. R. Seager, "The Theory of the Minimum Wage," *American Labor Legislation Review*, Vol. 3, Dec. 28, 1912, pp. 81–91; F. W. Taussig, "Minimum Wages for Women," *Quarterly Journal of Economics*, Vol. 30, May, 1916, pp. 411–422. Then see later analyses, including especially Weir M. Brown, "Some Effects of Minimum Wages upon the Economy as a Whole," *American Economic Review*, Vol. 30, No. 1, March, 1940, pp. 98–107; Paul H. Douglas, "The Effect of Wage Increases upon Employment," *ibid.*, Vol. 29, No. 1, March, 1939, pp. 138–157; Richard A. Lester, "Marginalism, Minimum Wages, and Labor Markets," *ibid.*, Vol. 37, No. 1, March, 1947, pp. 135–148.

mischief, and training them for citizenship, youngsters who were for one reason or another dependent were usually bound out to an employer. Public opinion held that some sort of employment for all children was desirable.[1] The current conception of child labor problems represents a reversal of these earlier social viewpoints, a change in social goals.

5.1 *Definition of Child Labor.* No sharp and generally accepted definition of child labor can be given, for conceptions appear to vary from state to state. The first Federal statute dealing with child labor, passed in 1916 and held unconstitutional in 1918, defined child labor as the employment of children under 16 years of age in a mine or quarry, and under 14 in a mill, cannery, shop, or factory, and from 14 to 16 for more than 8 hours per day, 6 days per week, or between the hours of 7:00 P.M. and 6:00 A.M. The Federal child labor amendment, sent to the states for ratification in 1924, would grant Congress power to regulate or prohibit all employment of persons under 18 years of age.

5.2 *Oppressive Child Labor.* The Fair Labor Standards Act, as amended in 1949, includes both a direct prohibition of "oppressive child labor" and a prohibition of interstate shipment of goods on which such child labor has been employed. Under provisions of the act and rulings made by the Secretary of Labor and the chief of the Children's Bureau pursuant to the act, children from sixteen to eighteen may not be employed in the production of explosives, in the operation of motor vehicles, in coal mining, in lumbering, sawmills, and in operating power-driven woodworking or hoisting machines or in jobs involving radioactive substances. Children under 16 may not be employed at all unless thay are at least 14 and have a temporary work permit from the Department. Permits are not issued for the occupations named above, plus several others. Permits do not allow work during school hours, nor for more than 18 hours per school week, nor for hours after 7:00 P.M. and before 7:00 A.M. (except that newspaper distributors may start at 6:00 A.M.). An exception is made for children employed by a parent or guardian in industries other than mining or manufacturing. In such cases, no work permit is required.

5.3 *Special Goals for Children.* Reference to this legislation clearly indicates the social intention to set special goals in the utilization and conservation of youthful manpower resources. Many reasons explain this special interest. One is the fact that child labor may be hazardous to the health of children. Numerous investigations have shown an unusually high evidence of heart disease, throat and respiratory infections, and other unhealthy conditions among children who work.

[1] For more extensive discussion of early child labor, see Edith Abbott, "A Study of the Early History of Child Labor in America," *American Journal of Sociology*, Vol. 14, July, 1908, pp. 15–37.

From another angle, child labor is viewed as breaking family ties and weakening the social control exerted by parents. Children's Bureau studies of the surroundings of both urban and rural child workers have disclosed that their environments are particularly conducive to roughness, crudeness, and harshness and, in many cases, to actual delinquency. Removal of a child from his home, together with the partial independence created by employment, tends to create a lack of respect for normal controls at a time when children most need social regulation.

At the same time, it is recognized that child labor and poor school attendance go hand in hand. States that report poorest school attendance are also states that have largest proportions of employed children. This means that the program of training for citizenship which society has instituted in the public school system is directly handicapped by child labor. The same states report highest proportions of illiteracy among adults. Modern societies also recognize the fact that child labor may represent an inefficient utilization of manpower. Child labor frequently precludes the most productive adulthood by distributing child workers in blind-alley occupations, thereby causing a long-term economic loss to society. It also permits what might be described as unfair competition with adult labor. One result may be extensive unemployment of adults or their employment under working conditions that are less satisfactory than they would otherwise be.

Education which employed children neglect in order to work might result in greatly increased productivity in adulthood. From the standpoint of society, schooling represents a sort of saving, a deferring of benefits, which, like individual investment, often pays worth-while dividends. Child workers represent premature expenditures instead of savings. One study of a group of children under sixteen years of age who were working at night clearly indicates the seriousness of this waste, for 55.3 per cent of them were retarded from one to five years in school.

In recognition of these considerations modern societies set special goals for children. They emphasize conservation and long-term optimal utilization, rather than immediate application of these resources. Children are to be restricted in their participation in labor markets in order that their health, their better social adjustment, and their education may increase their contribution in later life.

5.4 *Distinctive Characteristics of Child Labor.* Problems encountered in the definition of child labor have been noted. As a result, no single age group can be specifically designated as "child labor." For most purposes, however, members of the labor force seventeen years of age and under may be regarded as child laborers. How extensive is this group? Is it growing or declining in size? In what industries and occupations

are these labor force members found? In what sections of the nation are proportions notably large? Are there other distinctive characteristics?

5.5 Numbers. The first nation-wide count of child labor noted numbers of children from 10 to 15 years of age gainfully employed in 1870. It found some 729,000 of them. Since that time, until World War II, children have represented declining proportions of the gainfully employed and labor force. Smaller proportions of all children have been employed. In 1890, children 10 to 15 years of age made up 6.5 per cent of the gainfully employed. In 1900, that percentage was 6.0; in 1910, it was 4.3; in 1920, it was 3.3; in 1930, it was 1.4. In 1890, 18.1 per cent of all children 10 to 15 years of age were gainfully employed. By 1930, this percentage had declined to 4.7 per cent. In April, 1948, the sample census reported 2,040,000 persons from 14 through 17 years of age in the labor force.[1]

Numbers of employed children are known to increase markedly when business activity is high. For example, in April, 1947, the Census Bureau estimated that approximately two million boys and girls 14 through 17 years were employed full time or part time. This number clearly reflects increased employment opportunities, for it is twice as large as the number reported for 1940.[2]

In 1946, census estimates summarized numbers of children in millions employed or seeking employment as follows:

Age	Out of school, millions	In school and working, millions	In school and not working, millions
14 and 15	¼	½	3¾
16 and 17	1	½	2¼
18 and 19	2	¼	¾

Frequent reports are now available from the Census Bureau's *Monthly Report on the Labor Force.* They show the increase in employment of children during World War II and in early postwar years. Numbers of children under 17 employed in recent years have been summarized in Table 11.4. Another index of the extent of child labor is provided by numbers of work permits issued. Comparative data for the years since 1927 are available. For comparable areas, numbers of first-job certificates for children 14 through 17 increased from 167,358 in 1940 to 539,767 in 1947. In the peak year, 1944, 1,137,594 permits were issued.[3] More

[1] *Current Population Reports, Labor Force,* Series P-50, Dec. 23, 1948.

[2] Data from Elizabeth S. Johnson, "Employment Problems of Out-of-school Youth," *Monthly Labor Review,* Vol. 65, No. 6, December, 1947, pp. 671–674.

[3] For more detail, see "Protecting the Health of Young Workers in Wartime," Children's

boys than girls are included among those who seek and receive work permits. The proportions do not vary greatly; about 40 per cent of them are issued to girls.

TABLE 11.4. ESTIMATED NUMBERS OF EMPLOYED CHILDERN, BY AGES, 1940–1948[1]

Year	14–15 years	16–17 years	Total
1940 (March)	209,347	662,967	872,314
1944 (April).	850,000	1,950,000	2,800,000
1945 (April).	1,000,000	2,000,000	3,000,000
1946 (April)..	750,000	1,500,000	2,250,000
1947 (April)	630,000	1,340,000	1,970,000
1948 (April)	610,000	1,430,000	2,040,000

[1] Source: "Child Labor after Ten Years of Federal Regulation," *Annual Report*, National Child Labor Committee, 1948. Data may be kept up to date by reference to Census Bureau Monthly Reports on the Labor Force.

5.6 *Industries and Occupations.* Although the distribution of work permits does not show this fact—since no permits are required for family employment on the farm—the largest single industrial group of child employees is unquestionably in agriculture. Reports of the decennial census prior to 1940 indicate that almost half of all employed persons 10 to 17 years of age were found in the agricultural classification. More recently, it is estimated that at least one-fourth of all employed children work in agriculture. Next most important is manufacturing, with much smaller numbers in trade, domestic and personal service, and clerical classifications. As laws have increasingly restricted employment in manufacturing, 16- and 17-year-olds have tended to find jobs in trade, in warehouses, retail stores, offices, laundries, restaurants, and theaters. Their occupations include those of errand boys, stock boys, shipping clerks, messengers, sales clerks, ushers, and cashiers. Those in the younger age group are almost entirely prohibited from employment in manufacturing. They tend, therefore, to become messengers, clerks, soda-jerkers, curb-hops, caddies, pin boys, newspaper boys, and maids. Mention should be made of the fact that investigations frequently disclose extensive illegal employment. Some 6,000 minors were found to be illegally employed during the first ten years of the Fair Labor Standards Act.[1]

Bureau *Publication* 291, Washington, 1943; "Wartime Employment of Boys and Girls under 18," Children's Bureau *Publication* 289, Washington, 1943; Ella Arvilla Merritt, "Trend of Child Labor, 1937 to 1939," *Monthly Labor Review*, Vol. 50, No. 1, January, 1940, p. 33; and the source for many of the data cited here, Ella Arvilla Merritt, "Child Labor Trends in an Expanding Labor Market," *Monthly Labor Review*, Vol. 67, No. 6, December, 1948, pp. 589–595.

[1] See "War-time Employment of Boys and Girls under 18," Children's Bureau *Publication* 289, Washington, 1943; Ella Arvilla Merritt, "Child Labor Trends in an Expanding Labor Market," *Monthly Labor Review*, Vol. 67, No. 6, December, 1948, pp. 689–695.

5.7 *Regional Distribution.* Numbers of work certificates issued by various states provide an indication of the areas in which employment of children is most extensive. Care must be exercised in appraising these data, however, in view of the fact that they reflect total population differences as well as variations in local regulations. Moreover, they do not show employment of children under 14, since certificates are not usually obtainable for them. New York, Illinois, Pennsylvania, Michigan, Indiana, Wisconsin, and Connecticut lead in totals of certificates issued for 16- and 17-year-old wage earners. Practice is so varied with respect to 14- and 15-year-olds that no such comparison is meaningful. In agriculture, for which few permits are issued, Southern states are known to provide employment for heavy proportions of teen-age employees.[1]

6.0 Legislation on Child Labor

Early attempts to regulate child labor in England were local in scope. Many children, especially orphans and paupers, were put to work on farms at an early age and required to work long hours. Other children were apprenticed and expected to serve long hours in handicraft establishments. The rise of factories offered new opportunities for more profitable employment of children. Cotton mills in Lancashire and Yorkshire provided employment for a large number of pauper children gathered up in London and other cities and "farmed out" to the managers of these factories. Children of working-class families were generally employed in mills about the country. They were frequently housed in crowded barracks. Serious sanitary and moral problems appeared.

Sir Robert Peel sponsored the first British protective act, passed in 1802. It restricted the hours of "bound" children in cotton mills to 12 per day, prohibited night work, and provided that children under nine years of age should not be bound out for employment. In 1819, the protection afforded by this act was extended to include children other than those bound out.

In the United States, child labor was not seriously regarded until well past the beginning of the nineteenth century. Earliest restrictive legislation appeared in 1813 in Connecticut in a law that required proprietors of manufacturing establishments in which children were employed to provide some education for them. Later, in 1836, Massachusetts required school attendance and permitted work by children under fifteen only if they had attended school in the preceding 12 months. Other states were slow to follow these leads, but several types of legislation designed to limit and regulate child labor gradually appeared. Efforts were made to enact a Federal child labor law. Child labor on materials produced for public use was regulated by the Federal Walsh-Healey or

[1] See Merritt, *op. cit.*, pp. 591–593.

Public Contracts Act of 1935. The Fair Labor Standards Act of 1938 included limitations on "oppressive child labor."

In the complex provisions of state and Federal legislation now applying to the employment of children, several types of regulation stand out. In addition to the outright prohibition of child labor, they include regulations of working hours, requirement of minimum wages, school attendance provisions, special requirements in workmen's compensation laws, and restrictions on homework undertaken by children.

6.1 *Federal Legislation and Regulation.* Two unsuccessful attempts have been made to enforce nation-wide inclusive regulation of child labor through Federal legislation. The first law was enacted in 1916. It prohibited interstate commerce in goods produced in mines or quarries employing children under sixteen years of age or goods coming from factories or canneries where children under sixteen worked more than eight hours per day or 48 hours per week or between 7:00 P.M. and 6:00 A.M. The law expressly exempted stores, offices, farms, and the street trades.

This act was held unconstitutional[1] on June 3, 1918, on grounds that Congress had exceeded its constitutional powers by extending its control to *production* of goods intended for intrastate shipment and that Congress had assumed power over a purely local matter to which the Federal authority does not extend. The court was divided, 5 to 4, on the decision.

In the following year, 1919, a second Federal act was passed in the form of an added section of the National Revenue Act. It sought to base regulation on the Federal taxing power. The law provided for a 10 per cent tax on the net profits of employers in stipulated industries if the latter employed children under the conditions outlawed in the earlier act. The law continued in effect until 1922, when the United States Supreme Court held that Congress had used its taxing power as a penalty and purely as a means for the achievement of a purpose plainly reserved to the states. The second act was, therefore, unconstitutional.[2]

As a result of these decisions, inclusive Federal regulation of child labor appeared impossible without an enabling amendment to the constitution. In 1924, such a proposed amendment was accepted by both houses of Congress and sent to the states for ratification. The proposed amendment is brief. It reads as follows:

> Section 1. The Congress shall have power to limit, regulate, and prohibit the labor of persons under 18 years of age.
>
> Section 2. The power of the several states is unimpaired by this article except that the operation of State laws shall be suspended to the extent necessary to give effect to legislation enacted by Congress.

[1] *Hammer v. Dagenhart,* 247 U.S. 251, 38 Sup. Ct. 529.

[2] *Bailey v. Drexel Furniture Company,* 259 U.S. 20, 42 Sup. Ct. 449.

Although 28 states ratified the amendment before 1938, none has since done so.

In 1938, a somewhat different attack on child labor was undertaken in the Fair Labor Standards Act. Section 12 (now 112) prohibited interstate shipment of goods on which "oppressive child labor" had been employed. The 1949 amendments to the act added a section (112.2) that directly prohibits employment of oppressive child labor. Section 103.12 explains that "oppressive child labor" includes: (1) employment of children under sixteen years (except by parents and then not in manufacturing or mining or other industries found by the Secretary of Labor to be hazardous); and (2) employment of children from sixteen to eighteen in occupations declared to be dangerous to their health and well-being by the Children's Bureau; except that (3) those fourteen to sixteen may work in occupations other than manufacturing and mining if they hold a work certificate authorized by the Chief of the Children's Bureau. Such certificates may be issued for employment that will not interfere with school work or endanger health and well-being. The law further specifies minimum wages for all occupations included in its coverage, a consideration that tends to reduce employment of children. For these reasons, the Fair Labor Standards Act has become an important instrument in the regulation of child labor.

In addition to the Fair Labor Standards Act, the Federal public contracts or Walsh-Healey Act must be noted as having a regulatory function, so far as child labor is concerned. Under this law, goods produced on contract for the Federal government must not involve employment of children under 16. Boys from 16 to 18 may be employed, but not girls.

Federal legislation has provided specific regulation of child labor in the District of Columbia since 1885. The present act of 1928 limits hours for children under 18 and prohibits all employment of children under 14.

6.2 *State Legislation.* The first state child labor law is that of Illinois, passed in 1903. It prohibited more than eight hours of employment per day for children under 16 years of age. Such laws are now a part of the statutes of all states. They are not, however, uniform. Some 39 states have an 8-hour law applying to children, but there are broad variations in the occupations included in such provisions. Most states have also specified a 40-hour week. Most state laws now prohibit employment of children under 14. They allow those 14 to 16 to work, but only when they have been granted work permits and when employment will be confined to nonschool hours and to industries regarded as nonhazardous.

State minimum wage laws have been directed especially at women and children. Enforcement of the minima they require has tended to reduce employment of children in so far as the practice tends to increase unit labor costs.

Of all types of legislation designed to restrict child labor, school attendance laws appear, up to the present time, to have been most effective. Such laws require attendance up to a specified age or through a designated grade. They also commonly provide for issuance of employment certificates to children in specified age groups. They may require health certificates for all children to whom work permits are issued. Because they encourage investigation of proposed employment and facilitate regulation of working periods, such laws have proved an effective means of controlling the employment of children.

The highest age requirement for compulsory school attendance is 18 years. Most state laws provide for compulsory attendance from ages 7 to 16 (24 states) or through two years of high school. Nine states require attendance from 6 to 16, while three states require attendance from 8 to 18.[1]

Accidents to employed children have long represented one of the most serious problems of child labor. Children are more likely to have serious accidents than older, experienced employees. Accidents to children occasion longer partial and total disabilities than do those of adults. Several states have recognized this fact in their workmen's compensation laws. In one common provision, they refuse compensation to children if they are illegally employed. Such children are not allowed to accept compensation. This provision is designed primarily to deter children from hazardous employments, but it also tends to force employers to use caution and observe the law, since exclusion from compensation leaves children under employers' liability laws and encourages suits for damages. A second type of legislation follows a distinctly different policy and requires extra compensation for injuries to children.

Regulation of children's employment in industrial homework has been described in the earlier discussion of homework legislation. Requirement of work permits and of minimum wages has tended to restrict such employment. The trend toward outlawing homework has, of course, a similar effect.

QUESTIONS AND EXERCISES

1. Illustrate the maintenance of special "uneconomic" goals applicable to special segments of society.

2. What considerations explain current special goals for women members of the labor force?

3. Outline historic changes in goals and practices with respect to the employment of women.

4. Describe recent trends in the participation of women in the labor force.

5. Indicate probable future developments in the employment of women in the United States.

6. Describe recent changes in marital status, age, and related characteristics of employed women in this country.

[1] "School Census, Compulsory Education, Child Labor," *Bulletin* 1945, No. 1, Washington, U.S. Office of Education.

7. In what industrial and occupational classifications are women employees most numerous?

8. What economic problems are created by the employment of women?

9. Why are women's average wage rates lower than those of employed men?

10. Present arguments for and against equal pay rules.

11. Describe the impact of initial entrance of women into a particular labor market.

12. Why is displacement of male employees by women regarded as more serious than displacement by men?

13. Describe what is usually included as industrial homework, indicating the special problems it creates.

14. What types of special legislation regulate employment conditions of women in this country?

15. What regulations now restrict industrial homework?

16. Why is minimum wage legislation given major attention in connection with the employment of women and children?

17. Describe the economic impact of special hour regulations, equal pay laws, homework legislation, and minimum wage laws.

18. Make an analysis of the effects exerted by minimum wage laws on the distribution of national income.

19. What special goals may be noted in considering the employment of children?

20. What is meant by "child labor"?

21. Describe recent trends in the employment of children in the United States.

22. In what industries, occupations, and geographic areas is employment of children most extensive?

23. What types of legislation have proved most effective in regulating the employment of children?

Chapter 12

Special Groups, Special Goals (Continued)

1.0 The Aged

Persons sixty-five years and older in modern society are widely recognized as deserving special consideration as a distinctive segment of manpower resources. Problems of utilizing the services of this group effectively and of caring for members of the group who require assistance have long been matters of concern. That valuable resources are frequently wasted in the unemployment or inappropriate employment of older persons should require no demonstration. Losses thus incurred are not so apparent in periods of prosperity and labor shortages. But when employment eases and there are labor surpluses, both the unemployment of older members of the labor force and their dependency are quickly notable. They are released from employment more promptly than younger employees. They encounter much greater difficulty in finding new jobs.[1]

In large measure, current goals with respect to upper age manpower are not distinctive. They are similar to objectives that motivate policy with respect to all human resources. Society seeks to avoid waste in their disposition and use. "Full" employment is the aim—employment in jobs permitting the maximum contribution of each individual. At the same time, these objectives seek adequate wages for those employed, wages that will support them and their dependents and prevent situations in which they become dependent on others or on the community for support.

Unusual obstacles make the attainment of steady employment and adequate wages difficult for aged employees. Many older employees are physically limited in the jobs they can perform. Many are less mobile, less willing and able to change jobs or localities. Employers often prefer younger employees.

In some primitive societies, these conditions have been regarded as so

[1] For a comprehensive study, see *Birthdays Don't Count*, Legislative Document No. 61, 1948, Albany, New York State Joint Legislative Committee on Problems of the Aging. An excellent brief bibliography is available in "The Problems of Old Age," *University of Chicago Round Table*, No. 564, Jan. 9, 1949. For an excellent summary statement of the problem, see J. W. Willard, "Employment Problems of Older Workers," *Public Affairs*, Vol. 11, No. 2, July, 1948, pp. 135–140 (published by Institute of Public Affairs, Dalhousie University, Halifax, N.S.)

reducing the value of older persons that the latter were considered a burden on the remainder of the group. Their dependency was accepted as justifying the destruction of the aged. Some modern practice—particularly the enforced retirement of many elders—appears almost as cruel.

In recent years, many modern societies have recognized the value of this older, experienced manpower and the waste involved in neglecting its careful conservation and use. Older persons may make valuable contributions if they are properly employed. Moreover, the prospect of comfortable old age is an important consideration in the morale of middle-aged and younger employees. Fear for their future may adversely affect earlier participation.

Current goals seek to encourage either the placement of older employees in positions in which they can continue to make a significant contribution or their retirement on a "pension" adequate to meet their needs. Saving throughout the working years is encouraged as a means of supplementing earnings in declining years. Public assistance is provided to ensure against misery and want. In recognition of the difficulties of saving enough to ensure comfort in old age, Federal and local systems of public pensions have been provided.

1.1 *Retirement versus Waste.* Modern society has not clearly defined its several objectives with respect to the aged. There are some conflicts and inconsistencies in them. Most obvious, perhaps, is the conflict among desires to avoid waste of these older human resources, to assure their security, and, at the same time, to remove them and thus make way for younger persons. In part this inconsistency reflects several other objectives, including the desire to minimize the influence of older persons, who are apt to be conservative and "old-fashioned." From these and other motivations has developed a widespread retirement movement, in many cases compulsory. Employees are required to retire, generally on a pension, at a specified age. While such a provision may have a desirable effect on younger employees, indicating that they need not fear for the future and opening the way for advancement, the resulting waste of manpower resources is not insignificant. In some cases, retired persons are required to remain out of employment in order to receive their pension; in others, they cannot secure a new job because of their age. Many of them are not prepared for leisure; they may regard retirement as a death sentence. The social price of enforced retirement for these older persons must include a sizable charge for the unemployment of many valuable human resources.

1.2 *Hiring Limits.* Another conflict of goals is apparent in the frequent application of hiring limits on employment. In part, this usage seeks to ensure the maximization of productivity through careful selection and placement. Hiring age limits are one means of selection, on the

theory that younger manpower will be physically able to do the jobs assigned. In part, on the other hand, these rules represent a conflict between the objectives of the individual managements that use them and the social goal of effective utilization.

No statistical summary of the extent to which such limits are applied is particularly meaningful. They are widely used in years of depression, when managements can afford to be "choosy." They disappear in periods of great business activity, when manpower is scarce. A symposium conducted by the National Industrial Conference Board in 1947 found only 10 per cent of reporting firms maintained rigid hiring limits, but about one-third rarely hired above specified ages. The ages, about equally distributed among the firms, were 45, 50, 55, and 60.[1] Reasons given for the use of such limitations on hiring are numerous. The most important may be summarized as follows:

1. Physical characteristics of older employees are regarded by employers as the most important reason. Older employees are alleged to be subject to more frequent illness and more susceptible to occupational diseases. Reflections of waning physical strength are seen in irregular attendance and inability to perform assigned tasks. They are more likely to have partial disabilities resulting from earlier accidents.

2. Private pension and group insurance plans frequently make it desirable, for financial reasons, to set arbitrary hiring limits. Costs to managements and to other employees are thereby reduced.

3. It is frequently insisted that hiring limits are justified by the greater danger of serious industrial accidents to older employees and resulting high insurance rates for compensation protection.

4. Employees in older age groups are not so easily trained and may actually have to "unlearn" certain habits.

5. Many older employees have lost their skill and have suffered serious injury to their morale as a result of depression idleness or work on relief projects.

Effects of such hiring limits and other restrictions on employment of older persons are clearly evident. Notably lower proportions of labor force members in these ages are employed, while high proportions are unemployed. One study, for example, found 107 males and 121 females per 1,000 manufacturing employees 65 and over unemployed in 1940, as compared with 74 males and 66 females 25 to 29 years, and 59 males and 67 females 35 to 39 years.[2]

[1] Numerous studies have reported on the extent to which hiring age limits have been used. For references, see earlier editions of this text; also "Youth vs. Age." *Management Record*, Vol. 9, No. 10, October, 1947, pp. 297–306.

[2] See Otto Pollak, "Discimination against Older Workers in Industry," *American Journal of Sociology*, Vol. 50, No. 2, September, 1944, pp. 99–106.

A Canadian investigation noted the rapid increase in unemployment among older employees directly after "V-J Day." Three months later, in November, 1945, 15 per cent of the total unemployed were 45 or older. By November, 1946, the percentage had risen to 18 per cent, and by June, 1947, to 23 per cent.[1]

1.3 *Illness and Accident Experience.* Evidence to support the frequent claim that older employees are subject to greater losses of time from illness and accidents is not conclusive. On the contrary, there seems to be little real evidence that can be cited. For the most part, available data do not permit effective analysis because they do not relate time lost to causes and to hours of exposure. Additional research on this question would be useful.

TABLE 12.1. ABSENTEEISM RATES PER 100 WORK DAYS[1]

Age group	All Reasons			Illness		
	All employees	Men	Women	All employees	Men	Women
All ages	3.4	3.2	6.5	1 2	1 1	2.4
Under 20	5 5	5.2	6.1	1.6	1.0	2.8
20–24	4.9	4.3	6.4	1.3	1.0	2.0
25–29	4.3	3.9	6.8	1.1	0.9	2.6
30–34	3.6	3.4	6.9	1.0	0.8	2.6
35–39	3.4	3.1	6.1	1 0	0 9	2.2
40–44	3.5	3.3	6.4	1.2	1.1	2.3
45–49	3.4	3.2	7.1	1.2	1.2	2.6
50–54	3.3	3.2	6.2	13 0	1.3	2.1
55–59	2.8	2.8	5.4	1 1	1.1	2.2
60–64	2.9	2.9		1.2	1.2	
65–69	3.3	3.3		1.1	1.1	
70–74	3.2	3.2		1.5	1 5	

[1] Max D. Kossoris, "Absenteeism and Injury Experience of Older Workers," *Monthly Labor Review*, Vol. 67, No. 1, July, 1948, pp. 16–19.

Such studies as have been carefully undertaken do not support the conclusion that older employees suffer greater losses of time either from illness or from accident than do younger members of the work force. On the contrary, they have better records of attendance than younger employees. They are, as a whole, apparently more careful than younger persons. There is some indication that the fewer accidents to older employees are more serious, but the total of lost hours per hundred days of exposure is less than that of their younger colleagues. In addition, older employees show definitely lower turnover rates.[2]

[1] See "The Problem of the Older Worker," *Labour Gazette*, Vol. 47, No. 9, September, 1947, pp. 1251–1258.

[2] For an excellent study of 26 large manufacturing plants, see Dwight L. Palmer and

One study may be cited as an example.[1] The study included 17,817 employees in 109 manufacturing plants and included data for at least six months in each plant. Rates of absenteeism and of lost time from illness (per 100 work-days) for men, women, and both are summarized in Table 12.1. From the table, it appears that older age groups (65 and over) compare favorably with all other ages except those from 55 to 65 years in terms of all absences and that there is no discernible pattern with respect to illness.

TABLE 12.2. WORK INJURIES BY AGE GROUPS[1]

Age group	Disabling injuries		Nondisabling injuries
	Frequency rate	Average days of disability	Frequency rate
All ages	9 7	14.7	980
Under 20	19.8	4.0	1,230
20–24	4.0	23.4	1,500
25–29	9.2	13.3	1,560
30–34	9.0	6.5	1,420
35–39	11.4	9.0	1,240
40–44	12.4	16.5	1,050
45–49	9 8	19.4	990
50–54	7.8	16.2	740
55–59	10.1	19.1	640
60–64	9.5	16 2	560
65–69	9.1	12.4	430
70–74	4.9	15 0	320

[1] Max D. Kossoris, "Absenteeism and Injury Experience of Older Workers," *Monthly Labor Review*, Vol. 67, No. 1, July, 1948, pp. 16–19.

The same study provides data with respect to work injuries which are summarized in Table 12.2. Here again there is little in the way of a pattern. Certainly the evidence raises serious question as to the frequent assertion that older employees increase accident hazards, for it seems to indicate that older employees have fewer injuries than those who are younger.

1.4 *Productivity.* A somewhat similar statement should be made with respect to the productivity of older employees. Productivity, as has been noted, is a very elusive concept and is not readily measured, either for the individual employee or plant or for an aggregate of many plants. It may be regarded from the standpoint of an hour, a day, a week, or a

John A. Brownell, "Influence of Age on Employment Opportunities," report from the *Monthly Labor Review*, Vol. 48, No. 4, April, 1939, pp. 765–780.

[1] Max D. Kossoris, "Absenteeism and Injury Experience of Older Workers," *Monthly Labor Review*, Vol. 67, No. 1, July, 1948, pp. 16–19.

year, with differing results. The attempt to compare combinations of productivity on several different jobs, which is inevitable in most analyses of productivity by age groups, is therefore subject to serious question. More research is needed on this point, as on the question of accidents and illness affecting older employees.

In spite of the general opinion that younger employees are more productive, such evidence as is available from careful studies shows no certain relationship between productivity and age. Studies of fatigue lead to the same conclusion. Indeed, in view of the many considerations that enter into productivity, no generalization as to the relationship between productivity and age can be presently justified. Rather, the problem becomes one of selective placement or allocation. There are many jobs for which older employees are especially suited.[1]

1.5 *Increasing Importance of the Aged.* As has been noted in earlier pages, manpower in the United States is aging rapidly. The fact is unquestionable. The rapidity with which this change is taking place must be a matter of concern to all who are interested in the effective use and conservation of manpower.

The realities of this shift in ages may be described from several angles. The result follows from the declining birth rate and is magnified by the ending of mass immigration into the United States. Immigration tended to increase proportions of the population in the "prime of life" group, from 20 to 50 years. Thus, for example, in 1850, only 38½ per cent were in this group. In 1930, 44 per cent were between these ages. After 1950, however, this proportion will decline to about 40 per cent and remain at about this level.

Meanwhile numbers of those who are 65 years of age and over will continue to grow. Estimates of this group, in thousands, indicate that numbers for census years from 1930 to 1980 may be compared as follows:

1930	6,639
1940	8,419
1950	11,205
1960	14,818
1970	17,995
1980	22,051*

* These figures are taken from the so-called "medium" trend estimates. Students should understand that estimates and forecasts require careful consideration and assumptions with respect to both birth and death rates. They vary also according to assumptions as to future fertility and mortality. For greater detail, see "The Problems of a Changing Population," National Resources Committee Report of May, 1938; "Changing Age Composition of the American People," Washington, Population Reference Bureau, March, 1940.

[1] See "The Problem of the Older Worker," *Labour Gazette*, Vol. 47, No. 9, September, 1947, pp. 1256–1258.

Figure 12.1 provides a graphic representation of this development from 1900 to 1975. Growth of the age group 65 years and over, both in absolute terms and as a proportion of total population, is clearly evident. The striking changes over a longer period, together with prospective increases in proportions of aged persons, are indicated in Fig. 12.2.

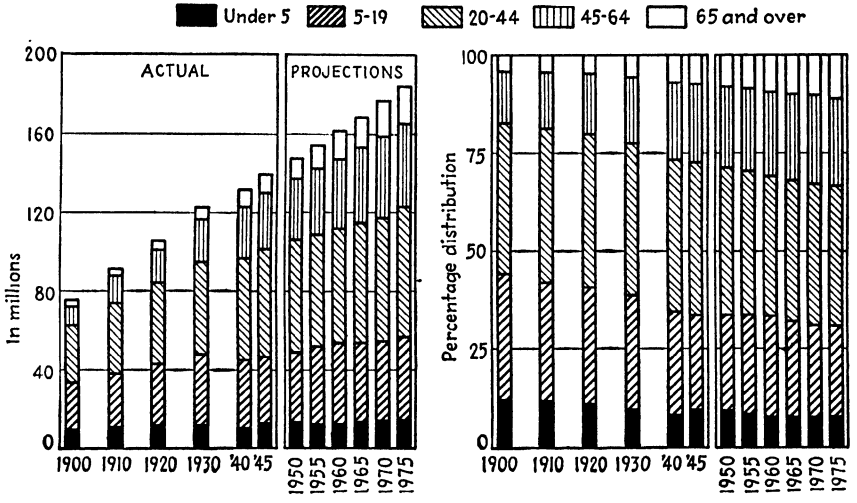

FIG. 12.1. Changing age distribution of the United States population. (*Census data reproduced from Business Week, Apr.* 10, 1948, *p.* 23.)

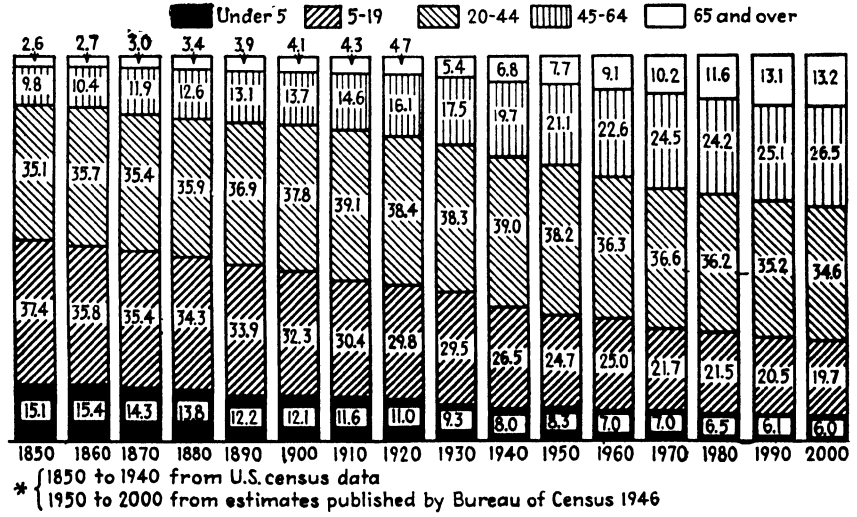

FIG. 12.2. Percentage distribution of total United States population by age, 1850–2000. (*From Birthdays Don't Count, New York State Joint Legislative Committee on Problems of the Aging, Legislative Document* 61, 1948, *p.* 191.)

The same situation is evidenced in the rising median age of the population. In 1800, it was about 16 years. In 1900, the median was 22.4 years. In 1910, it was 23.5; in 1920, 24.7; in 1930, 26.2; in 1940, 29.0; and in 1947, it was approximately 30 years.[1]

1.6 *Geographic Concentration.* Older persons in the United States are migrating in increasing numbers to southern and western sections of the nation. Thus, for example, while the numbers of persons 65 years of age and over throughout the nation increased by 15 per cent from July, 1940, to July, 1946, some 18 states had increases as great or greater than that. Four states, Arizona, California, Nevada, and Wyoming, experienced increases of more than 25 per cent. For the longer period, from 1920 to 1946, Florida was outstanding, with a 302 per cent increase in older persons. In California, the increase was 157 per cent, in Arizona 230 per cent, in Wyoming 219 per cent, and in Washington 192 per cent. California, Colorado, Delaware, the District of Columbia, Florida, Maryland, Missouri, Oregon, and Washington appear to have had a definite and continuous in-migration of older persons since 1920.[2]

2.0 Aiding the Aged

Are these increasing numbers of aged persons to mean an increasing burden of dependency? Must they produce less than they require for comfortable living? The answer, of course, lies in the effectiveness with which their services are used. If they are to be prevented from gaining employment or if the jobs to which they are allocated represent such poor utilization of their abilities that there is little usable output, then the remainder of the working force will have to supplement their earnings.

The question, therefore, is in part one as to what disposition is to be made of older manpower, how much consideration is to be given to its selective placement.[3] The outlook is not too encouraging, for the proportions of aged men and women who are included in the labor force or as "gainfully employed" has been declining for more than seventy years.[4]

[1] National Industrial Conference Board, "Domestic Consumer Markets," May, 1948, pp. 6–7. See also Bernard D. Karpinos, "The Differential True Rates of Growth of the White Population in the United States," *American Journal of Sociology*, Vol. 44, No. 2, September, 1938, pp. 251–272; "Supplement to Report to the President of the Committee on Economic Security," Washington, Government Printing Office, 1935; also S. J. Mushkin and Alan Berman, "Factors Influencing Trends in Employment of the Aged," *Social Security Bulletin*, Vol. 10, No. 8, August, 1947, pp. 18–23.

[2] See Jacob Fisher, "Trends in Interstate Migration among the Aged," *Social Security Bulletin*, Vol. 11, No. 3, March, 1947, pp. 2–12.

[3] That this question is also a matter of concern in other nations is clear. See, for example, the excellent statement of Britain's problem in Max Adler, "Too Old at Forty," *Industrial Welfare*, Vol. 30, No. 319, July-August, 1948, pp. 116–118.

[4] See S. J. Mushkin and Alan Berman, "Factors Influencing Trends in Employment of the Aged," *Social Security Bulletin*, Vol. 10, No. 8, August, 1947, pp. 18–23.

In 1947, a year of prosperity and high-level employment, only about 27 per cent of those over 65 were employed. Approximately 25 per cent of the roughly ten million over age 65 have been receiving public assistance in the years since World War II. Of these, 2,271,000 received old-age assistance, 125,000 were in homes for the aged, 8,000 were in prisons and workhouses, 88,000 in mental institutions, 23,000 received assistance to the blind, and 50,000 received general "poor relief."[1]

2.1 *Postretirement Utilization.* A direct attack on the problem can be made by increasing opportunities for suitable employment of older persons. All other devices (some of which are to be described in later pages) assume that their economic inadequacy is inevitable and seek means of subsidizing them. To some extent, of course, such subsidies are provided by their own earlier effort, through their contribution to retirement and pension programs.

Both in the United States and in other nations, far too little attention is being given to programs designed to make many older employees self-supporting. Canadian employment services have checked job requirements to discover occupations that are adapted to the special characteristics of older employees. They have provided counseling and guidance services for these groups. An Old Age Counseling Center has operated successfully as a business venture in San Francisco. "Man-marketing clinics" have operated to assist older persons in various sections of the United States. The Forty Plus Club of New England and other Forty Plus Clubs in thirty-five or more centers have been successful in finding jobs for large numbers of older age men and women.[2] There is the possibility of far greater effectiveness in dealing with the problem if additional study is directed to it.[3]

2.2 *Private Aid; Union Benefits.* Some local and international unions have included provisions for pensions in their mutual benefit systems. Still others have provided homes for aged union members. Requirements for participation in pension systems or admission to these homes vary widely. Coverage, considering the total membership of American unions, is so small as to be almost negligible, although more than five million dollars in pensions is distributed annually.

Programs have not expanded in recent years. Rather, they have given way to the public social security program and to joint employer-employee plans like that of the United Mine Workers. Unions are seldom in a position to provide the technical actuarial services essential to a sound

[1] See Henry W. Steinhaus, *Financing Old Age*, New York, National Industrial Conference Board, Inc., 1948.

[2] See "Employment and the Older Worker," *Monthly Labor Review*, Vol. 62, No. 3, March, 1946, pp. 386–396.

[3] See Otto Pollak, "Social Adjustment in Old Age, A Research Planning Report," New York, Social Science Research Council, 1948.

retirement plan or to maintain the security of reserve funds. Rather, they have sought, in recent years, to negotiate privately financed pensions, to be supported by employers and managed jointly or by large life insurance underwriters.[1]

2.3 *Joint Union-Employer Provisions.* The United Mine Workers have attracted wide attention by developing a system of industry-wide pensions financed by a royalty of 20 cents on each ton of coal. As presently effective, the program provides pensions of $100 per month for all miners who maintain their membership in good standing in the UMWA to age 70. Funds are administered by a joint board representing the union, managements, and the public.

Such arrangements did not originate with the coal miners. They have been maintained by employees in clothing industries for many years. The International Ladies' Garment Workers Union, for example, first provided retirement benefits from funds collected from union members. More recently, these benefits have been financed by an employer contribution of 3 to 4 per cent of the payroll. The Amalgamated Clothing Workers Union has a somewhat similar program. Both are closely related to benefits for ill health or disabilities.

The Taft-Hartley Act of 1947 included special regulations for such joint plans. Details of the plans must be stated in a collective agreement; administration must include representatives of both parties; funds must be held in trust and expended only for the specific purposes for which they were established; and provision must be made for an annual audit by an independent agency.

2.4 *Private Pension Plans.* Prior to 1935 when the Social Security Act was passed, only a few private managements had provided pensions. Such plans were generally restricted to a limited group of employees. Unions frequently opposed these arrangements, on the ground that they could be used in breaking strikes. Pension plans, they alleged, restricted the movement of employees. Employers could threaten to exclude strikers from participation in such benefits. Strikers might lose accumulated pension rights they had gained by long service.

For all these reasons, many observers forecast the end of private pensions when the Social Security program became effective.[2] Despite these predictions, private pension provisions have expanded rapidly since Social Security Act pensions became available. In part, private plans were regarded as desirable to supplement public provisions, which

[1] See "Significant Developments in Pension Plans," *Management Record*, Vol. 10, No. 5, May, 1948, pp. 277–278. See also discussion of health and welfare funds in Chap. 10.

[2] A proposed amendment would have exempted employers from tax assessments under Social Security Act provisions if they maintained stated standards in their private pension plans. Private plans would thereby be protected and encouraged. The amendment was defeated.

did not originally include benefits for survivors. Later, unions sought private pension plans as "fringe issues" during World War II. Employers were frequently asked to pay the full cost of pensions, which in earlier arrangements had been shared with employees. After 1942, three-fourths of all new plans were financed entirely by employers.

In 1942, the Revenue Act of that year permitted tax deductions for amounts placed in approved pension funds, thus further encouraging private plans. Then, in April, 1948, the National Labor Relations Board (in the Inland Steel Company case) required employers to bargain on pensions if unions so requested. While this development has encouraged many employers to favor liberalization of Social Security benefits—as the lesser of two evils—it has also operated to extend private pension provisions.

Approximately twelve million employees are presently covered by private pensions. More than seven thousand plans have been approved by the Bureau of Internal Revenue. According to a 1948 survey by the Social Security Administration, 42 per cent of the plans studied were noncontributory, as contrasted with 5 per cent in an earlier 1939 to 1942 study. Most plans require more than one year of employment for eligibility. Some 97 per cent specify age 65 as the retirement date for men. Fifteen per cent provide a lower retirement age for women.[1]

The same study indicates that only about one-fourth of all employees in the concerns providing pensions are participating in these programs, although a much higher percentage (78 per cent) are participating in plans established before 1930. Employer contributions averaged 7.2 per cent of the payroll for participating employees in all plans, but were much higher (17.3 per cent) in the more recently established plans.[2]

That wage earners are not alone in seeking old-age security may be judged from the numerous retirement plans for executives established by many firms. Lesser publicity has been given to such provisions, but they frequently appear in the notices of annual meetings of stockholders in which the remuneration of directors and officers is described. Estimated annual benefits to be paid on retirement vary, in one such report, from $7,800 to $23,000. Doubtless there are other concerns that provide much higher annual benefits.

[1] See "Analysis of Recent Group Annuities and Supplementary Retirement Benefits under Old Age and Survivor's Insurance," *Actuarial Study*, No. 25, Washington, Social Security Administration, 1948; see also Rainard B. Robbins, *Impact of Taxes on Industrial Pension Plans*, New York, Industrial Relations Counselors, 1949.

[2] See F. Beatrice Brower, "Significant Developments in Pension Plans," *Management Record*, Vol. 10, No. 5, May, 1948, pp. 277–279; also her "Trends in Company Pension Plans," *Studies in Personnel Policy*, No. 61, 1944; also "Private Pensions Take Hold," *Management Review*, Vol. 37, No. 4, April, 1948, pp. 213–215; "What Next in Company Pension Plans," *Management Record*, Vol. 11, No. 1, January, 1949, pp. 4–6.

Several characteristics of employment and industrial relations in this country limit the effectiveness of private pension provisions and restrict the coverage of such systems. Perhaps most important is the freedom of movement exercised by American employees. They shif from one employer, industry, and locality to others. In the absence of "vesting" arrangements by which they can carry pension rights with them, the percentage of all employees to be covered by such plans is necessarily limited. Another limitation arises from the nature of competitive industry. Many firms operate on margins so low at times that they cannot pay pension costs. Plans may have to be abandoned in such firms when times are difficult.[1]

2.5 *Public Pensions—Railroads.* Railroads are among the industries in which private pension plans have been long established. Nevertheless, in 1934, a Federal Railroad Employees' Retirement Act was passed. When it was held unconstitutional, a similar law was reenacted in 1935, and when the latter legislation appeared likely to be voided, a new law—believed to meet constitutional requirements—was enacted in 1937. That legislation now provides pension coverage for some 1,500,000 railroad, express, and sleeping-car employees. About 200,000 former employees are now receiving pensions under these provisions.[2]

Legislation permits retirement at age 65 or earlier in case of disability. Pensions vary with length of service and contributions. Funds are provided by a tax of 3½ per cent of salaries and 3½ per cent of pay rolls. No maximum benefit is stated. The act is administered by the Railroad Retirement Board.[3] The law provides benefits for disability as well as pensions.

2.6 *Social Security Act Provisions.* Effective Federal legislation providing pensions for private employees dates from enactment of the Social Security Act of 1935. While an attempt had been made to legislate such benefits for railroad employees in 1934, that legislation was held unconstitutional. Several states had, however, experimented with pension provisions before the Federal government entered this field. From 1907 to 1937, more than 50 bills providing old-age "pensions" had been introduced in state legislatures. The term "pensions" is enclosed in quotation marks because the proposals included many forms of aid to the aged that would not meet any rigorous definition of pensions.

State pension laws varied widely. All based pensions on need, requiring that payments be made only to those who could show definite limita-

[1] See Edward L. Schwartz, "Pension and Retirement Programs," *Labor Law Journal*, Vol. 1, No. 1, October, 1949, pp. 25–32.

[2] For full details of coverage and other provisions, see *Questions and Answers on the Railroad Retirement Act*, Chicago, Railroad Retirement Board, 1947.

[3] For greater detail, see *Social Security Bulletin*, Vol. 10, No. 8, August, 1947, pp. 40, 42–43.

tions on property and income. Pensions were generally small, with maxima of $1 per day or from $25 to $45 per month. Generally, the minimum age of eligibility for pensions was 70, although several states allowed payments at age 65, and a few allowed females to collect pensions after age 60. Residence requirements were carefully specified to exclude recent migrants into the state. Most of the acts provided for financing pensions from local rather than state funds or placed the major burden on localities. Until after 1930, most of the laws were not mandatory. States permitted but did not require counties to provide pensions. As a result, few state plans included state-wide coverage. In most cases, only a few counties availed themselves of the right to provide pensions. The constitutionality of several mandatory state laws was questioned.

Meanwhile, other major industrial nations had enacted compulsory public pension legislation. Germany (1889), France (1905), Great Britain (1908), Sweden (1913), Switzerland (1916), Italy (1919), and many smaller industrial nations had accumulated several years' experience with such provisions. On the whole, that experience was satisfactory and met an apparently universal desire for old-age security.

The Federal Social Security Act of 1935 provides two distinct types of aid to the aged. One is a system of old-age assistance, which is made available to all who can demonstrate their need. This program, administered by the states on a fund-matching basis, is essentially a means of introducing system and planning into old-age relief. It is not a pension plan in the usual meaning of these terms.

The other program provides a system of compulsory insurance to which both employers and employees are required to contribute. Pensions and survivor's benefits are provided for those who qualify for participation, without reference to need. Both plans were formerly supervised and administered by the Federal Social Security Board. The Reorganization Act of 1948 abolished the Board and transferred its functions to a new Social Security Administration. Each of the systems described above is represented by a bureau in the SSA.

2.61 *Coverage.* The Act provides coverage for all employees (regardless of the size of establishment) except such employments as are specifically exempted. Exempt employments originally included agriculture, domestic service, casual labor, maritime activities, family employment, employees of foreign and governmental agencies, and those in nonprofit, religious, charitable, scientific, library, and educational institutions, and services of newsboys under eighteen years of age. Changes proposed in 1950 would extend this coverage to permit employees in public and semipublic agencies to participate.

Numbers covered by the law are not readily determined. Employees move into and out of "covered employment," with the result that many

more persons have accounts than are currently employed in these occupations. Some eighty million accounts have been established. Estimates place the number of these excluded from coverage at any one time at about thirty million.

2.62 *Taxes.* Contributions are collected equally from employers and employees. They are based on the first $3,000 of wages or salaries. As originally provided, they were to amount to 1 per cent for 1937, 1938, and 1939; 1½ per cent in 1940, 1941, and 1942; 2 per cent in 1943, 1944, and 1945; 2½ per cent in 1946, 1947, and 1948; and 3 per cent thereafter. Congress has repeatedly modified the original law, however, and held the tax constant at 1 per cent through 1949. Beginning in 1950, the rate was set at 1½ per cent.

2.63 *Benefits.* Benefits available under the Act depend on the status of the insured employee. He is "fully insured" if he has worked in covered employments for 40 quarters and received at least $50 in wages in each quarter since 1936. He may have the same status if he has earned $50 per quarter in covered employments in at least half the quarters since 1936 or since he became 21 years old and before he became 65.

If a deceased pensioner earned $50 or more in six quarters of the twelve immediately preceding his death, he is regarded as "currently insured." Pensions and some survivors' benefits are not available unless the pensioner was "fully insured." But survivors' benefits to widows with children and to dependent children are payable whether the pensioner was "fully" or "currently" insured.

2.631 PRIMARY INSURANCE BENEFIT. A pensioner's primary benefit, paid each month until his death, is calculated as 40 per cent of the first $50 of average monthly wages, plus 10 per cent of the remainder up to $250, plus 1 per cent for each year in covered employment (in which at least $200 was earned). A minimum primary benefit of $10 is provided. This calculation may be seen more clearly from a simplified illustration. If the employed individual had average monthly earnings of $200 and had worked 32 years when he reached age 65, his primary benefit would be:

40% of $50	$20.00
10% of $150	15.00
Total	35.00
32% of $35	11.20
Total primary benefit	$46.20

2.632 WIFE'S SUPPLEMENT. The wife of a pensioner is entitled to an additional benefit, if she is 65 or over, is living with her husband, and does not have primary benefits in her own right amounting to half or more of her husband's benefit. The wife's benefit, in such cases, amounts to one-half the husband's primary benefit. She receives that benefit until

her death, or that of her husband, or her divorce from him, or until she becomes eligible for a larger benefit in her own right.

2.633 BENEFITS FOR CHILDREN. A dependent child of a pensioner, if the child is under eighteen years of age and unmarried, is entitled to a supplementary benefit equal to one-half the primary benefit of the pensioner. However, the combination of all benefits payable on account of a single pensioner may not exceed $85, or twice the primary benefit, or 80 per cent of the average monthly wage, whichever is smaller. A range of minimum benefits is also established, beginning with a minimum of $10 for a single employee and extending to $20 for an employee with two dependents or for four or more orphans.

2.634 SURVIVOR'S BENEFITS. When the act was passed in 1935, no provision was made for payments of benefits to survivors. In 1939, however, it was amended to provide survivors' benefits.

A widow of a pensioner, if she has not remarried and is not eligible for a benefit in her own right of more than three-fourths of the pensioner's primary benefit, may receive a widow's benefit of three-fourths the primary benefit. She may continue to receive such a monthly benefit until she dies, remarries, or becomes eligible for a larger primary benefit in her own right. Lump-sum benefits are also available if the widow has no young children.

Surviving children, unmarried and under 18 years of age, may receive benefits equal to those available to the children of living pensioners. Parents of pensioners, if they are over 65, have no benefits on their own account amounting to one-half or more of the pensioner's primary benefits, and were chiefly dependent on the pensioner, may receive parents' benefits amounting to one-half the pensioner's primary benefit.

Survivor's benefits are subject to the limitations on minima and maxima mentioned above.[1]

2.64 *Old-age assistance.* Framers of the Social Security Act realized that many needy aged would not, for one reason or another, be eligible to receive pensions. They would not have been employed in covered employments, or they were too old to establish themselves as "fully" insured under the law. Accordingly, provision was made for "old-age assistance" payments to be made on the basis of need. Federal funds were made available to supplement state grants in such cases.

Federal grants are conditioned on specified provisions of state programs. The latter must be in effect throughout the entire state, must involve grants of state (as distinguished from local) funds, must be administered by an efficient state agency, must allow a hearing before a

[1] For details of benefit eligibility requirements and other regulations, see one of the current labor reporting services such as the Prentice-Hall *Social Security Tax Service*, Vol. 1.

state board for those whose claims are not allowed, must not require more than a specified maximum of residence in the state or set an age limit above 65 for eligibility, and must make such reports as may be required by the Federal Administration. All states have qualified for old-age assistance grants under these provisions. States may establish the amounts of assistance to be granted. The Federal government contributes $15 of the first $20 per month and half of any amount over $20 per month, except that the maximum Federal contribution is $30. Also, and in addition to these grants, the Federal government will allow an amount equal to 50 per cent of the total of its grants to each state to be used for administration of the program.

2.65 *Inadequacy of provisions.* Specific provisions of the Social Security Act have been and will probably continue to be changed as various inadequacies become apparent. Coverage, for example, still omits many groups that need this protection. Many self-employed persons would benefit from a system of compulsory saving and might well be brought under provisions of the Act. Many public employees as well as those in educational and charitable, nonprofit institutions are now participating in less generous plans and would welcome inclusion in the Federal program.[1] Current pension payments are widely regarded as too small. Public opinion appears strongly to support more generous payments.

Meanwhile, it appears equally certain that old-age assistance—the second program inaugurated by the Social Security Act—is being misused. In June, 1949, 2.6 million over age 65 were receiving old-age assistance, as compared with, 1.8 million receiving old-age and survivors' benefits. Average payments for assistance were larger than the average pension payment. Numbers receiving assistance are growing rapidly, having increased 41 per cent from 1939 to 1949. The suggestion that assistance is being misused and poorly administered is inescapable.

2.66 *Actuarial considerations.* A conflict between political expediency and long-term financial planning is apparent in tax provisions of the old-age pension program. Long arguments over the merits of "pay as you go" and "reserve" plans have left the public with the impression that current collections are establishing a sound basis for the payment of future benefits. On the contrary, however, as increasing proportions of the population move into older age groups, additional sources of revenue must be found to maintain even the present scale of benefits. Advance planning and higher rates of taxation might greatly ease this increased load.

[1] See Domenico Gagliardo, *American Social Insurance*, New York, Harper & Brothers, 1949, Part II; William Haber and Wilbur Cohen, *Readings in Social Security*, New York, Prentice-Hall, Inc., 1948.

2.7 *Encouraging Underutilization.* Most thinking in terms of the aged still emphasizes their removal from labor markets and their support as an obligation of the public. There is good reason to suspect that this is both wasteful and an unsatisfactory solution of the problem. More consideration will be given in the future to selective placement, in which aged employees can continue to participate in the activities to which they have devoted their lives and, at the same time, can continue to make worth-while contributions. Their exclusion from such activities, by pensioning or otherwise, may appear in retrospect to have represented a callous and thoughtless brutality almost as objectionable—in terms of twentieth-century ideals and objectives—as earlier and more barbarous plans for disposing of the aged.

3.0 Handicapped Manpower

Particularly in periods of recession and low-level business activity, handicapped persons are likely to be disapproved as employees.[1] Physically handicapped cannot pass standard physical examinations maintained by many managements. Mentally handicapped are avoided as troublemakers and creators of added problems for management. Resulting waste of manpower reaches serious proportions and contradicts humanitarian ideals as well.

Estimates of the number of handicapped persons in the United States range from three to twenty-eight million. It is said that approximately 800,000 persons became permanently disabled each year, some through accidents, others on account of illness. Two-thirds of all rejections by employers are stated to be based on physical "deficiencies," although the reality of bases for rejections is not clear. Disabilities provide a ready excuse for refusals to employ.[2]

There are no entirely satisfactory figures as to numbers of handicapped persons, in part because there is no satisfactory definition of the "handicapped." What most of us think of when the term is used are the blind and those who have obvious physical disabilities. But this distinction is largely a matter of degree. Loss of hair may present a serious handicap to one who would serve as a model. The need for eyeglasses is evidence

[1] For a report on employer preferences, see E. William Noland and E. Wight Bakke, *Workers Wanted,* New York, Harper & Brothers, 1949.

[2] See Clark Bridges, *Job Placement of the Physically Handicapped,* New York, McGraw-Hill Book Company, Inc., 1946, Chap. 1. See also Max D. Kossoris and Henry S. Hammond, "The Physically Impaired Worker in Industry," *Monthly Labor Review,* Vol. 63, No. 6, December, 1946, pp. 918–923; K. Vernon Banta, "Placement Service for Disabled Veterans," *Annals of the American Academy of Political and Social Science,* Vol. 239, May, 1945, pp. 109–114; also his "Gains and Further Goals in the Placement of the Physically Handicapped," *Employment Service Review,* Vol. 15, No. 9, September, 1948, pp. 3–4.

of a handicap, as is the use of dentures. Where can the line be drawn between those who are handicapped and those who are not?

The fact is, of course, that as physical strength declines after the "prime of life" period, there are few who are not handicapped to some extent. Practically, therefore, the problem is presumably not to be solved entirely by developing special programs for handicapped or impaired persons but to develop selective placement techniques so that manpower as a whole can be appropriately allocated and reallocated. Only by such an inclusive arrangement can efficient utilization of these resources be assured.

For those who regard such an objective as impractical and unrealistic, there are numerous studies that deserve serious attention. What they all show is that in effect a properly placed "impaired" or "handicapped" person is not handicapped on the job. His output compares favorably with that of "unimpaired" employees. He shows no greater tendency to be absent or to have industrial accidents. These conclusions represent the findings in concerns like George Barr and Company and the Minneapolis Artificial Limb Company (which recruit largely from the ranks of handicapped), but they are substantiated also by extensive analyses in plants that employ only small numbers of handicapped. They reflect experience in Marshall Field and Company, the Eastman Kodak Company, Lockheed Aircraft Company, Goodyear Tire and Rubber Company, Boeing Airplane Company, Radio Corporation of America, and many others. Matched group studies by the Western Electric Company, the U.S. Civil Service Commission, and by Tobias Wagner have contributed further evidence on this point. Studies have included a wide range of handicapped, including deaf, blind, orthopedically disabled, epileptic, cerebral-palsied, arthritic, and those with tubercular and cardiac disabilities.[1]

The inescapable conclusion is that inadequate selective and placement policies and practices occasion a vast waste of human resources represented by certain types of handicapped persons. It is notable that when manpower resources are in great demand, large numbers of these persons, formerly regarded as unemployable, find and hold jobs. But only an emergency forces recognition of their value. Sound public policy suggests the need for continuing recognition of the fact that few jobs require perfection in physical and mental qualifications and that selective placement can prevent extensive waste of talented resources.

[1] Detailed references to many of the studies are omitted because a selected bibliography is readily available in "Efficiency of the Impaired Worker," *Rehabilitation Services Series* 1, Federal Security Agency, June, 1946. See also "Impaired Workers in Industry," *Bulletin* 857, Bureau of Labor Statistics, January, 1946; "The Performance of Physically Impaired Workers in Manufacturing Industries," *Bulletin* 923, Bureau of Labor Statistics, 1948.

3.1 *Rehabilitation.* Many handicapped persons can be aided in securing employment and making a worth-while contribution by special training and by provision of special appliances. Several public agencies are now engaged in programs of rehabilitation, including the Federal Security Agency through its Office of Vocational Rehabilitation, the Veterans, Administration, the United States Employment Service, and related state agencies. Federal legislation provides matching funds to be used in a broad program including medical and psychiatric examinations, medical services, training, provision of mechanical appliances, placement, and all other necessary assistance. An annual "Employ the Physically Handicapped Week" has helped to focus public attention on the problem.

Estimates place the total cost of this rehabilitation program at about 25 million dollars annually, of which states contribute some 7 million. Average costs of rehabilitation per individual are less than $500. It is estimated that rehabilitated persons more than repay the cost of rehabilitation in Federal income taxes.[1]

4.0 Minority Groups

In some respects, the problem of minority groups is similar to that of the handicapped. It involves waste—due to inefficient allocation and utilization of resources as represented by these groups. In part, that waste reflects the unwillingness of some employers to hire members of minority racial, religious, and nationality groups. In part, it reflects practices of hiring them only for certain jobs, regardless of special aptitudes, skills, and interests. When, for example, Negroes with high mechanical aptitudes are refused employment in establishments that could use those talents and are restricted to car-washing or other unskilled jobs, there is an obvious waste of manpower resources.

That discrimination against various minority groups is the rule in numerous industries and has been practiced in all sections of the country is rather obvious, although difficulties of measurement prevent any extensive summary of statistical data. Such discrimination is more apparent in the case of Negroes than for most other minority groups. But restricted hiring of various nationality groups—Chinese, Japanese, Filipinos, and others—has been the practice in many local labor markets.[2] Other racial groups are smaller in number but their usual concentration

[1] For details on these programs, see William P. McCahill, "Rehabilitation and Placement of Handicapped Workers," *Monthly Labor Review*, Vol. 67, No. 3, September, 1948, pp. 282–287.

[2] See, in this connection, Horace R. Cayton and George S. Mitchell, *Black Workers and the New Unions*, Chapel Hill, University of North Carolina Press, 1939; also "Job Opportunities for Racial Minorities in the Seattle Area," Seattle, University of Washington Institute of Labor Economics, 1948.

in particular areas may involve what amounts to segregation and thereby facilitate discrimination. Mexicans, Indians, Chinese, Japanese, Filipinos, and many others, as well as religious groups, may be subject to prejudices that affect their employment.[1]

Discriminative hiring of Negroes is rather clearly suggested by the fact that two-thirds of all Negro members in the national labor force were classified, in 1940, as unskilled labor, while nine-tenths of all Negro females in the labor force were engaged in agriculture and domestic service.[2] Such discrimination prevails in the face of clear-cut evidence that Negroes can be and have been trained for occupations requiring all levels of skill.[3]

There have been notable changes since 1940. Wartime manpower shortages encouraged Negroes to leave agriculture and enter manufacturing. There is evidence, in postwar years, that these changes have encouraged the wider acceptance of Negroes in many industries and occupations. In 1947 only half of all employed Negroes were on farms. The industrial distribution of Negroes in the labor force remained, in 1947, much like that of the wartime economy.[4]

4.1 *Fair Employment Practice Rules.* One method of attack on the problem which was developed during World War II involves the legal requirement that employers shall practice no discrimination in employment. In wartime, a Fair Employment Practices Committee—the FEPC—operating within the framework of the War Production Board and later within the War Manpower Commission, sought to enforce nondiscriminative practices in the filling of all government contracts. Widespread manpower shortages encouraged cooperation in the program, as did the threat of severe restrictions on both materials and manpower for violators. Since the war, several states and cities have enacted fair employment practice laws modeled after the rules developed by the FEPC. New York, New Jersey, Illinois, Indiana, Wisconsin, Massachusetts, and Connecticut have such legislation. In addition, city ordinances enforce similar provisions in Chicago, Milwaukee, and Minneapolis.

[1] See *To Secure These Rights* (The Report of the President's Committee on Civil Rights), Washington, Government Printing Office, 1947; E. William Noland and E. Wight Bakke, *Workers Wanted,* New York, Harper & Brothers, 1948.

[2] See "Negro Women War Workers," *Bulletin* 205, Women's Bureau, 1945; Laurence A. Oxley, "Employment Security and the Negro," *Employment Security Review,* Vol. 7, July, 1940, pp. 12–15; Dorothy M. Powell, "The Negro Worker in Chicago Industry," *Journal of Business,* Vol. 20, No. 1, January, 1947, pp. 21–32.

[3] For an excellent analysis, see "The Negro Worker," *Special Research Report* 1, American Management Association, 1942; also Robert C. Weaver, *Negro Labor, A National Problem,* New York, Harcourt, Brace and Company, Inc., 1946.

[4] See Seymour L. Wolfbein, "Post-war Trends in Negro Employment," *Monthly Labor Review,* Vol. 65, No. 6, December, 1947, pp. 663–665.

These laws are intended to control employment practices in private firms, employment agencies, and unions. They list unfair employment practices and establish commissions to prevent these practices and to order employment or reinstatement of employees who have been adversely affected by violations. Employers are prohibited from asking questions with respect to race, ancestry, national origin, color, or religion in employment interviews or on application blanks; or to publish or circulate advertisements that discriminate; or to discharge or to refuse to hire on this basis; or to discriminate in conditions of employment. Employment agencies are subject to similar restrictions and forbidden to disclose these personal characteristics in referrals to prospective employers. Unions are prohibited from limiting membership or otherwise practicing discrimination. Employees must not resist employment of members of minority groups.[1] Administrators watch for evidences of discrimination, check on reports from applicants who feel they have been the subjects of unfair treatment, and seek to secure voluntary compliance with the spirit as well as the letter of the law.

State and local legislation appears to be at least partially effective; it reduces or prevents some of the more obvious means of discrimination. For example, questions as to race, nationality, and religion are generally eliminated from application blanks. Requirements that applicants present birth certificates or trace their lineage back several generations are also prevented.

Such regulation is described as only partially successful for several reasons. Its coverage is obviously limited, although this limitation may become less important if additional states and cities enact such rules. Federal legislation, if and when enacted, would also add important segments of employment. Legislation is limited in effect also because, while it may limit discrimination in hiring, it does not assure placement in jobs where skills and abilities may be fully utilized. Members of minority groups may secure employment, but decisions as to what jobs they are qualified to fill are not readily policed.

Both the public and fellow employees must assume responsibility for a positive program of effective utilization if minorities are to be given equal employment opportunities. The part which legislation of the FEPC type can play is necessarily limited. Realization of the need for equality in employment and tolerance in employment relationships does not develop overnight nor merely because of an act of the legislature.

[1] For an excellent summary of these laws, see Royal Parkinson, "Fair Employment Practices Legislation," *Harvard Business Review*, Vol. 26, No. 1, January, 1948, pp. 115–128; see also Frances K. Chalmers and Dorothy I. Height, "Fair Practice in Employment," *Public Affairs News Service*, Vol. 12, No. 1, April, 1948; "Negro Platform Workers," Chicago, American Council on Race Relations, 1945.

Moreover, whenever jobs become scarce and competition for them is keen, discrimination becomes more attractive.

Continuing educational programs lay a sounder basis for long-term improvement. Possibly the more general realization that discrimination is costly may help, too. For inefficient placement and utilization mean waste of potential goods and services. Every consumer and citizen may be affected by the inevitable losses occasioned by such practices.

5.0 Prison Labor

The special group described as prison labor might be ignored, for it is not large. But the group deserves consideration if for no other reason than that modern society has set such distinctive goals for it. Here is socially planned waste of manpower[1] The public has chosen a course that intentionally prevents full utilization of the services of prisoners, in order to attain other objectives. To that end, regulations greatly restrict employment of prisoners on goods that may be sold. Most prison labor is limited to public works and the production of goods for use in public institutions or by public agencies. For this reason, the approximately 150,000 inmates of state and Federal penitentiaries and prisons represent a distinctly "special" group.[1]

Principal prison-made products are auto license tags, work clothing, furniture, shoes, canned goods, bedding, soap, and printing. These are products that can be sold to other public agencies without becoming available on the open market. Prisoners are also employed in laundries and on roadbuilding and other public construction and in agriculture, in which they produce foodstuffs, livestock, and dairy products for prison consumption. A few institutions also produce items for sale including work shirts, binder twine, and farm machinery. Prisoners are paid for such work, although rates of compensation are low.

In years past, the range of prison production was much broader. Inmates were engaged in many industries whose products were sold on the open market and thus competed directly with those of private industry. Under the well-established *lease* system, prisoners were transferred to the control of private contractors, who were supposed to feed, clothe, and house them and to provide supervision, production facilities, and discipline. The system was subject to so many criticisms, as a result of abuses in which prisoners were brutally handled, that no state now uses it, although some counties still do.

Under the early *contract* system, prisoners remained in the institution, but responsibility for their employment and the sale of products was

[1] See "Production of Federal Prison Industries, 1944–45," *Monthly Labor Review*, Vol. 65, No. 2, August, 1946, pp. 217–218. The Census Bureau reports numbers of prisoners in state and Federal reformatories and prisons as 175,572 in 1940; 134,236 in 1944; 141,404 in 1946.

shifted to a private contractor. He provided materials and sold finished products, under an arrangement not unlike the old "putting out" system of the prefactory era. This system too has largely disappeared. The same may be said for another early procedure known as the *piece-price* system, in which contractors took prison-made products at a contracted rate per piece, leaving all employment, supervision, and management to prison authorities.

5.1 *Opposition to Prison Labor.* Under each of these various systems, prison-made products appeared in many markets in direct competition with those made by nonprison producers. Even in *state-use* and *public account* systems, the products, although sold to other state institutions and agencies, took the place of some goods or services that might have been privately provided. Because prison labor is cheap and overhead costs may be largely absorbed as necessary expenses of confinement, prison goods frequently sold at greatly reduced prices.

Opposition to the sale of prison products has generally distinguished between those made for use in other public institutions and those released on the open market. In the first case, there is a reduced demand that can be forecast. Further, the buying public does not observe the sale of products at reduced prices. In the other case, there is a more or less obvious addition to available market supplies. When the prison product is offered at reduced prices, effects on prices and sales of nonprison products may be severe. It is entirely possible, for instance, that prison-made products may completely destroy a local manufacturing business, as is said to have been the case when one Middle Western penitentiary entered the cooperage business.

5.2 *Prison Labor Legislation.* Organized labor began a campaign against the sale of prison-made goods early in the history of the nation. As early as 1831, outside labor became alarmed at the competition it felt from those behind prison walls. Laborers in New York state complained that the inmates of Sing Sing prison were producing marble that was being sold to outside contractors for a small fraction of what it would cost if produced by free labor. Agitation against this competition became more pronounced. Legislation designed to meet objections to prison labor first appeared in 1835, when a law passed by the New York legislature provided that no trades were to be taught inmates excepting those whose products must be imported.

Subsequent legislation in the United States bears the obvious imprint of organized labor and of those employers whose business has suffered most by direct competition with prison-made goods. Its objectives are clear-cut: they seek to bar prison-made goods from markets throughout the nation. That result has been attained in large measure through a series of laws and the detailed regulations imposed under such laws.

The first step involved enactment of state laws limiting sales of prison-

made goods from their own prisons within their boundaries. Then Federal legislation, in the Tariff Act of 1930, provided that, effective Jan. 1, 1932, no prison-made goods could be imported into the United States.

Even before this Tariff Act was passed, the Hawes-Cooper Act of 1929 had sought to give states greater freedom in regulating prison labor. Its provisions, however, did not become effective until Jan. 19, 1934. The Act was intended to overcome the difficulty faced by states when they sought to regulate the sale of prison-made products from other states. It was necessary, if states were to control the sale of such products, that they be divested of their interstate character. The Federal Hawes-Cooper Act allows states to regulate prison-made products from other states as if they had been produced within the state.

The Hawes-Cooper Act left enforcement entirely to the states. Such enforcement was frequently difficult, because states do not maintain inspectors at their borders and because identification of prison goods may be difficult. Accordingly, the Ashurst-Sumners Act, approved July 24, 1935, was passed. The Act requires that all prison-made goods shipped in interstate commerce must be labeled as such. It prohibits the shipment of prison-made goods into any state whose laws forbid the sale of such goods on the open market. The Act thus provides a Federal penalty for interference with state regulation.

To many, the problem of prison labor is solved. Prison-made products are largely confined to public use. Only a small volume of carefully labeled products is now available for purchase in competition with non-prison-made materials. The "unfair competition" of prison labor, supported and provided with tools and equipment from public funds, has been rigidly restricted. Degrading and brutal practices characteristic of some earlier employment of prison labor have been largely eliminated. Exceptions may be found in some county and local prisons.

But modern society is paying a price for these accomplishments. Current regulations have resulted in a situation in which as much as three-fourths of the manpower in prisons is wasted. Perhaps more serious is the fact that rehabilitation of prison manpower is handicapped. For prisons have an important responsibility for vocational guidance and training. But, under present restrictions, they can provide training and experience in only a narrow range of industries and occupations. They must avoid many of the former jobs which were most useful in placing those released. In terms of numbers, even this problem may be regarded as relatively unimportant. But it must be remembered that inadequate or inappropriate rehabilitation prejudices the lifetime contribution of the inmate.[1]

[1] For greater detail, see "Production of Federal Prison Industries, 1944–45," *Monthly*

6.0 Migrant Manpower

As has been noted in earlier chapters, mobility of manpower is, from an economic viewpoint, one of its most important characteristics. The whole process of manpower allocation reflects and is conditioned by the degree or level of mobility. Employment and unemployment are directly affected by mobility. Effective utilization is necessarily conditioned by the ability of manpower to move into those areas, industries, and occupations where demands for its services are most pressing and job requirements best fit the qualifications of available human resources.

But migration, the movement of manpower from place to place, creates new problems at the same time that it solves older ones. It may readily build up oversupplies of manpower, particularly where climatic conditions or housing facilities or traditional high wages are regarded as offering special attraction and inducement. Such massing of labor supplies may threaten wage levels, thus causing concern among those who regard themselves as "natives." It may thus stimulate dissention and conflict. Movement into particular areas may overtax housing, schooling, and sanitary facilities, creating slums and health hazards for both new and older citizens of these areas. Migrant peoples may lose the feeling of stability and conservatism generally associated with those who have a "stake" in the community. They may be more inclined to view radical changes with enthusiasm. If migrants differ sharply in culture and tradition, they may not be readily assimilated into new communities, thus preventing their full-scale participation as citizens.

6.1 *Immigration.* Until just after World War I, the most important group of migrants, in the United States, was that composed of recent arrivals from foreign nations. Throughout the nineteenth century and the early years of the twentieth, immigrants—principally from European nations—provided continuing additions to the native labor force of the United States. They did not arrive each year in equal increments. In-movement reflected business and employment conditions abroad as well as in this country, so that immigration took the shape of waves, with peaks in 1836–1837, 1851–1854, 1866–1873, 1882, 1907, and 1914.

This movement was specifically and intentionally encouraged both by the government and by private individuals and firms in this country. In early years, the Federal government advertised advantages of the new nation throughout Europe. Later, individual concerns recruited manpower in foreign lands. Steamship companies gave wide publicity to virtues of the new nation as a land of opportunity and freedom. All

Labor Review, Vol. 63, No. 2, August, 1946, pp. 217–219; "Prisons Train Men for Industry," *Modern Industry*, Vol. 16, No. 1, July 15, 1948, pp. 133–135; "Prison Labor in the United States, 1940," *Bulletin* 698, Bureau of Labor Statistics, 1941; "Federal Prison Labor and Defense," *Monthly Labor Review*, Vol. 54, No. 3, March, 1942, pp. 704–705.

immigrants did not come here for economic reasons, of course, for many left their former lands to escape religious persecution and to evade compulsory military service.

6.2 *An Optimum Population.* An implicit assumption during most of the period prior to World War I appears to have held that the United States needed added manpower, that the population (or more realistically the labor force) was not adequately balanced with other resources. Such a point of view implies, as noted in Chap. 2, that there is an optimum population for any given locality or region at any particular time. Such a population represents that amount of manpower which can be most efficiently combined with existing material resources and current productive technology. In other words, the optimum population may be said to be that which permits the most efficient possible combination of manpower, land, and capital. In an early discussion of this conception, Wolfe described it as that "adjustment between population and natural resources" which "will enable us to live as well as possible," that which permits the highest per capita economic efficiency.[1]

This conception of an optimum population is based on a recognition of the fact that labor supplies may increase up to or beyond the point of diminishing returns. Per capita production or average production must, if numbers be continually increased, decline when the combination of factors is less advantageous. Manpower resources are subject to the same principle of diminishing returns as are other factors. Further, an excess of manpower and its corresponding availability at low cost in individual labor markets may result in an improvident and wasteful destruction of material resources. It may thus prevent effective programs designed to conserve material resources, which all modern societies have come to recognize as of great importance to future generations.

The two determinants of an optimum population for a specific time and place, the factors that set limits upon numbers and establish the point of maximum individual productivity, are apparently (1) natural resources, their quantity and availability, and (2) the state of industrial technology. Each of these factors exerts a direct effect upon needs for manpower. At the same time, economic welfare must be recognized as an individual rather than a mass phenomenon. It can be evaluated best in terms of its effects on individual citizens. With this thought in mind, Wolfe declared that "Productivity is to be measured by the per capita income of ultimate consumers' goods." Such a criterion assumes the conservation of human as well as other natural resources.

6.3 *Immigration and Real Wages.* What has been the effect of immigration on real wages in the country? In terms of the "optimum

[1] A. B. Wolfe, "The Optimum Population," in L. I. Dublin, *Population Problems*, Boston Houghton Mifflin Company and the Pollack Foundation, 1926, pp. 64–65; see also A. M. Carr-Saunders, *The Population Problem*, New York, Oxford University Press, 1922.

population" concept, additions to the labor force should result in the more efficient combination of resources and their greater productivity up to a point of maximization. Evidence on results of this combination has been presented in the discussion of changing real wages, in Chap. 7. There, it will be noted that, following the extensive immigration of the 1880's and 1890's, there was a short period just after the turn of the century in which, for the first time, real wages in this country failed to advance rapidly. It would appear from that evidence that the capital-manpower ratio was overbalanced, so far as labor was concerned, and that an optimum population had been at least temporarily exceeded.[1]

6.4 *Immigration Restriction.* Until recently, Federal immigration laws were based upon a policy of selection rather than restriction. They sought to secure better immigrants rather than fewer immigrants. They aimed at solving some of the social problems of immigration rather than at limiting economic consequences of unrestricted numbers. To that end, various types of immigrants were excluded—idiots, convicts for other than political offenses, those likely to become public charges, and those having specified diseases. The selective principle was responsible, also, for the literacy requirements imposed by law in 1917. Emphasis was placed on individual selection rather than restriction and limitation of numbers.

After World War I, a threatened revival of immigration, combined with wartime experience with "hyphenated" Americans and threats of a business recession, resulted in the restrictive act of 1921. It provided for the limitation of immigrants by quota to 3 per cent of each nationality resident in the nation according to the census of 1910, this provision to apply to the nations of Europe, the Near East, Africa, Australia, and New Zealand.

This act expired in 1924. Advocates of restriction insisted upon more strenuous efforts in that direction. A new act of 1924 attempted to achieve this result temporarily by reducing quotas to 2 per cent instead of 3, by shifting the basis of calculation from the census of 1910 to that of 1890, and by expanding areas for which quotas were specified to include all nations excepting Canada, Newfoundland, the independent nations of North and South America, and those oriental nations whose people were excluded from the possibility of American citizenship. (Selection of the year 1890 as a base restricted quotas of southern and eastern European nations, because immigrants of these nationalities had not begun to come to this country in large numbers until after that date.)

Permanent provisions of the 1924 act did not become effective until July 1, 1929. Since that time, total immigration from all quota nations has been limited to 150,000. The quota for each quota nation is "a

[1] See Mordecai Ezekiel, "Population and Unemployment," *Annals of the American Academy of Political and Social Science*, Vol. 188, November, 1936, pp. 230–242.

number which bears the same ratio to 150,000 as the number of inhabitants in continental United States in 1920 having that national origin bears to the number of inhabitants in continental United States in 1920," with a minimum quota for any nationality of 100. Section *d* of the act explains that the phrase "inhabitants in continental United States" in these calculations means the total population whose national origin can be ascribed to all quota nations.

In 1943, (Dec. 17), the Chinese Exclusion Acts were repealed, thus making alien members of the Chinese race eligible for immigrant status and allowing them to acquire citizenship in the United States through naturalization. Similar action was taken with respect to natives of India by legislation in 1946. In June, 1948, Congress enacted the Displaced Persons Act, which permitted some 200,000 displaced persons to migrate into the United States each year thereafter.

Under present procedure, total immigration is restricted to the quotas assigned various nations plus a fixed allowance of 100 immigrants per year from some 50 smaller political states plus such displaced persons as are permitted to enter under the special provisions of post-World War II regulations.[1]

6.5 *Internal Migration.* While immigration from foreign nations has become of lesser importance in recent years, migration of the native population has caused added concern. Especially during the depression of the 1930's, such movement increased greatly. Popular attention was focused on the "Okies" and other impoverished migrants, many of whom sought to find at least temporary employment in widely separated sections of the country. They packed whole families into broken-down automobiles and journeyed through the agricultural sections of east and west coast regions, following the cycle of harvesting from one locality to another.[2]

Several studies have clearly evidenced the social and economic problems arising from depression migration.[3] Some of the same problems arose

[1] For detail on current practices and problems, see the March, 1949, issue of the *Annals of the Americal Academy of Political and Social Science,* Vol. 262, which is entitled "Reappraising Our Immigration Policy."

[2] For details, see Nels Anderson, *Men on the Move,* Chicago, University of Chicago Press, 1940; "Hearings on Interstate Migration," Select Committee to Investigate Interstate Migration of Destitute Citizens, Washington, 1940. The problem was popularized in John Steinbeck's *Grapes of Wrath;* also Carey McWilliams', *Factories in the Field.*

[3] See, for example, Ewan Clague, "Problems of Migration," *Proceedings,* National Conference of Social Work, 1945, pp. 66–73; L. W. Gresham, "Agricultural Nomads along the Atlantic Coast," *Journal of Educational Sociology,* Vol. 21, No. 2, October, 1947, pp. 78–87; "Recommendations for Protection of Migrant Workers," *Monthly Labor Review,* Vol. 62, No. 2, February, 1946, pp. 228–229; "Migrant Labor—A Human Problem," Retraining and Re-employment Administration, Department of Labor, 1947.

from migration to centers of war production during World War II.[1] These problems are economic in part, but they involve many considerations other than those which are economic. Wages of migrant labor, although in some cases apparently adequate on an hourly or daily basis, afford little year-round support, so that communities are called upon to supplement them. Housing problems are frequently acute. The Federal Department of Agriculture established trailer camps in many areas during depression years in an effort to remedy or relieve housing inadequacies. Many children of migrants avoid schooling and make likely candidates for juvenile delinquency. Problems of health are increased by the nomadic existence.[2]

QUESTIONS AND EXERCISES

1. What special goals in modern society relate to employment of older persons?
2. Indicate the possibilities of extensive waste in present retirement practices.
3. Present arguments for and against the use of hiring age limits in industry and government.
4. What can be said with respect to illness, accidents, and productivity of older employees?
5. Why have problems involved in employment of older employees become especially important in recent years?
6. Why are problems of older employees more serious in certain sections of this nation than in other parts of the country?
7. Describe programs designed to assist older persons to support themselves.
8. What provisions by employers and by unions seek to prevent old-age dependency?
9. Describe usual provisions, coverage, and limitations of private old-age pension plans.
10. What public provisions are available to assist aged railroad employees?
11. Describe provisions of the Social Security Act with respect to the aged.
12. Distinguish the system of old-age assistance provided by the Social Security Act from its provisions for old-age pensions.
13. Outline major provisions of the pension program established by the Social Security Act, describing eligibility, coverage, benefits, survivors' benefits, and proposals for change in the law.
14. Show that current practice with respect to employment of handicapped persons involves extensive waste.

[1] See Paul H. Landis, "The Loss of Rural Manpower to War Industry through Migration," *Bulletin* 427, Agricultural Experiment Station, State College of Washington, January, 1943; "National Defense Migration," Committee Report on Educational Needs of Our Migrant Population, Washington, Apr. 29, 1941; Howard B. Myers, "Defense Migration and Labor Supply," *Journal of the American Statistical Association*, Vol. 37, No. 217, March, 1942, pp. 69–76; "American Migrants," *Personnel Journal*, Vol. 24, No. 4, October, 1945, pp. 139–142; Clark Kerr, *Migration to the Seattle Labor Market Area, 1940–1942*, Seattle, University of Washington Press, 1942; Charles A. Myers and W. Rupert Maclaurin, *The Movement of Factory Workers*, New York, John Wiley & Sons, Inc., 1943; I. D. A. Reid, "Special Problems of Negro Migration during the War," *Milbank Memorial Fund Quarterly*, Vol. 25, No. 3, July, 1947, pp. 269–283.

[2] See "Health and Welfare of Migratory Labor," *Monthly Labor Review*, Vol. 51, No. 6, December, 1940, pp. 1363–1366.

15. What current practices with respect to employment of minority groups tend to prevent attainment of established social goals?

16. Describe and evaluate the usual provisions of fair employment practice laws.

17. What special goals are involved in current practice with respect to employment of prison labor?

18. Outline the development of legislation restricting the sale of prison-made products, mentioning provisions of each of the several Federal laws.

19. How does migrant manpower create special problems for modern society?

20. Describe changes in immigration legislation that followed World War I and World War II.

21. What steps have been taken to cope with the problems of internal migration in the United States?

Chapter 13
Problems of Status in Industrial Relations

It is not enough that manpower be employed, or even that it secure continually rising levels of wages. Much as modern societies talk of "full employment," their objectives are by no means accomplished merely by finding "good" jobs for all who wish to work. Such employment does not ensure adequate consideration of manpower conservation; it does not guarantee effective utilization; and it may fail to achieve the social goal that seeks social participation, responsibility, and satisfaction.

For manpower to be utilized effectively, it must be placed where its highest talents can be employed, in so far as society's demands permit. Moreover, it must be employed in positions that maximize job satisfaction. Manpower is not likely to be effectively utilized when employees are unhappy about their jobs and the groups in which they work and live, when employment is regarded favorably only because it is a source of income.

On the contrary, full utilization requires that those employed shall participate enthusiastically in their assignments. And such participation requires much more than merely earning a fair wage for a fair day's work. As Helen Marot long ago indicated, modern industry frequently tries to substitute financial incentives for interest in the job. The substitution is far from perfect. Job satisfaction requires more than fair or even adequate wages. It is a composite reaction to a multiplicity of factors in employment relationships. It is for this reason that the frequent prescription of wage adjustment is not a panacea or cure-all. It will not solve all the problems. Man does not live by bread alone, and the need for other returns from employment is clear evidence of this well-established principle.

Many of the other considerations that affect enthusiastic performance on the job are not economic in the usual sense of that term. Some of them are partially economic—for example, stability of employment, security of wages and income, and long-term prospects of advancement and possibilities of higher earnings. Others are less economic in nature, being concerned with social relationships in the work place and the community, attitudes of fellow employees and supervisors, and the feeling of acceptance and participation that fits an employee into his "slot" or niche in the whole.

The range of these significant relationships is broader than might be

expected. Each individual employee participates in a number of interpersonal and intergroup relationships within the plant or office, in addition to those which are maintained with family, church, lodge, and others on the outside. For example, he has personal relationships with various groups of employees (those in his workroom, fellow union members, participants in recreational activities, members of his bowling team, and others). He has similar personal relationships to representatives of management (his foreman or supervisor, the plant superintendent, a member of the personnel staff). In addition, he has relationships as a group member to individuals and to other groups. For example, his noontime cribbage, bridge, or checkers team has relationships with other teams and with individuals who might like to join. Similarly, his union may have relationships with other unions in the plant and with representatives of management. The employee participates in all these interpersonal and intergroup relationships; he has status in and because of them. The combination of such relationships and the attitudes that develop in them is sometimes described as the *social climate* in which he works.

Employees frequently develop strong likes and dislikes in these relationships. Because the choice of coworkers means much to employees and is believed to exert a significant effect on their productivity,[1] some managements have undertaken *sociometric* testing to discover employee preferences among their fellows. They then seek to arrange work assignments in a manner consistent with these preferences.

Importance of these interpersonal, group relationships tends to be undervalued in many appraisal of labor problems. Wages, hours, and other material considerations are more obvious. Moreover, emphasis on political freedom and independence for the individual may have encouraged oversight with respect to the essentially social nature of man—his tendency to live in and for groups. Whatever the reasons, analysis of labor problems has tended to seek explanation almost entirely in terms of individual interests, objectives, and reactions. It has frequently given all to little attention to interpersonal relationships that may exert powerful influence.[2] Much of the behavior that appears in employment may not be understandable in terms of individual goals and motivations. Much of it reflects social or group objectives and the desire of the individual to cooperate with and participate in and receive recognition from the groups of which he is a part. These considerations deserve

[1] The most commonly cited reference on this point is F. J. Roethlisberger and W. J. Dickson, *Management and the Worker*, Cambridge, Mass., Harvard University Press, 1939, pp. 615*ff*.

[2] See Elton Mayo, *Social Problems in an Industrial Situation*, Andover, Mass., Andover Press, 1945; Roger M. Bellows, *Psychology of Personnel in Business and Industry*, New York, Prentice-Hall, Inc., 1949, Chap. 13.

special attention before students embark on the study of unions and their programs in the chapters that follow.

Attention turns, therefore, to nonfinancial considerations in job markets, to values other than levels of wages, amounts or prospects of earnings, and stability of employment and income. Among these nonfinancial considerations, a position of prominence must be given to what is generally described as the *status* accorded job holders and their position in the *status structure* or *status system* of the work place and the community. The high significance placed by employees on considerations involving recognition or status has been emphasized in numerous studies of employment relationships in recent years.[1]

1.0 Status and Informal Organization

Status, says Robert N. McMurry, "means the employee's standing on the job and within the social and economic group to which he belongs." He observes that "status off the job is also important. This involves such things as the kind of houses they [employees] live in, the cars they drive, and the education they can give their children."[2] Chester I. Barnard has provided a more detailed definition of status. In discussing the "Functions and Pathology of Status Systems in Formal Organizations,"[3] he describes status as "that condition of the individual that is defined by a statement of his rights, privileges, immunites, duties, and obligations in the organization and, obversely, by a statement of the restrictions, limitations and prohibitions governing his behavior, both determining the expectations of others in reference thereto."

An even broader definition of the term is provided by George C. Homans.[4] He notes as subconcepts the notion of a "position in a system of communication or interaction," the "work actually done by a person

[1] Best known of these reports is probably F. J. Roethlisberger and William J. Dickson, *Management and the Worker* (Cambridge, Mass., Harvard University Press, 1939), although the further report on studies in the Western Electric Company plant, *Management and Morale*, by F. J. Roethlisberger (Cambridge, Mass., Harvard University Press, 1941), occasioned similar interest and discussion. See also Elton Mayo, *Human Problems in an Industrial Civilization*, New York, The Macmillan Company, 1933; T. N. Whitehead, *The Industrial Worker*, Cambridge, Mass., Harvard University Press, 1938; Chester I. Barnard, *The Functions of the Executive*, Cambridge, Mass., Harvard University Press, 1938; Wilbert E. Moore, *Industrial Relations and the Social Order*, New York, The Macmillan Company, 1946; Burleigh B. Gardner, *Human Relations in Industry*, Chicago, Richard D. Irwin, Inc., 1945; William Foote Whyte (ed.), *Industry and Society*, New York, McGraw-Hill Book Company, Inc., 1946.

[2] Both quotations from "What is Industrial Relations," *Industrial Relations*, Vol. 6, No. 5, September, 1948, pp. 19–22.

[3] In Chap. IV of *Industry and Society* (William Foote Whyte, ed.), New York, McGraw-Hill Book Company, Inc., 1946, pp. 47–48.

[4] In his "The Strategy of Industrial Sociology," *American Journal of Sociology*, Vol. 54, No. 4, January, 1949, pp. 330–337.

in that position," the assignment of high or low status, the designation and definition of appropriate behavior in which the person assumes the "role" of the position, and a notion of compulsion attaching to this "role."

Such definitions of status suggest that it plays an important part in shaping all human behavior. As has been noted, for most adults a major portion of all nonsleeping hours is spent on the job. If, therefore, considerations of status are continually important in behavior, then they must be prominent in work activity. Nowhere is the individual more obviously a participant in group activity. Nowhere are day-to-day relationships more evident. Actually, status is very important to all those who participate in all relationships that grow out of employment. All those relationships tend to define the position, standing, place, and regard accorded to each person who participates in employment relationships. Status means "standing." It refers to the manner in which each person is regarded, the position to which he is entitled, the respect accorded him.

Status systems describe the relative status of a group of persons; they are in effect *status structures*, in which a hierarchy of status is maintained. Such structures are characteristic of all permanent groups, so that one might describe the *status system* or *structure* of a community, or an office, or a factory, or a parent-teacher association, or a country club.

Recognition of the high significance persons attach to status is not new. Thorstein Veblen, American economist and social philosopher, who wrote extensively around the turn of the century, developed a theory of economic evaluation about the notion of conflicts for status.[1] His theories of conspicuous spending and ostentation as means of securing and maintaining status received widespread recognition if not acceptance. Other "institutional" economists have sought to point out the significance of social structures, institutions, customs, conventions, and traditional ways of thinking and acting in explaining economic behavior. They have not emphasized "status" by designation, but they have long recognized the "social" nature of economic behavior and the necessity of considering social and cultural factors in seeking explanations of such behavior.[2]

Sociologists and students of cultural anthropology have, of course, placed even greater emphasis on the importance of institutions and other cultural factors in explaining human behavior. The importance of man's

[1] See his *The Theory of the Leisure Class*, New York, The Macmillan Company, 1899; Joseph Dorfman, *Thorstein Veblen and his America*, New York, The Viking Press, Inc., 1934.

[2] See, for example, Willard E. Atkins *et al.*, *Economic Behavior: An Institutional Approach*, Boston, Houghton Mifflin Company, 1931; John R. Commons, *Institutional Economics*, New York, The Macmillan Company, 1934.

social characteristics, his participation in societies and other social groups, has been emphasized also by the social psychologists. From such students has come an increasing recognition of the importance of status to the individual and of the implications of status as a factor in group behavior. Emphasis in this connection is also placed on the parallel "role-playing" tendency of the individual, in which he seeks to act in accordance with his conception of his role and the status accorded him.[1]

1.1 *Status in Employment.* For the student of manpower economics and problems, principal interest focuses on status and *status structures* that characterize employment or are closely related to and dependent upon employment. Major attention centers on status structures in various work places—factories, mills, mines, offices, stores, and government agencies. Pertinent also is the status structure of communities of wage earners, particularly if that structure is largely dominated by a few local industries and thus reflects employment relationships.

Within factory or store or other industrial relationships, it is notable that the formal structure of status—implied by the provision of various levels of supervision—may be no more important in shaping behavior and attitudes of employees than structures created and maintained by employees. Whyte reports, for example, on a variety of symbols and practices that apparently define status and thus shape social interaction in restaurants on a basis quite different from that contemplated by managements in their creation of organizational structures.[2] Certain rank-and-file employees may have obviously superior status—the shop steward or business agent of the union, for example. Leaders may be widely recognized by employees, although they have no status in the formal structure of the business or agency. Two or more status structures may exist in the same organization.

1.2 *Functional and Scalar Status.* Barnard has distinguished two principal types of status systems in employment.[3] One system is *functional,* in that status assignments reflect the different specialties performed by members of the group. The structure thus created differentiates several strata, ranging from the casual laborer, having no special skill or function, to the technical specialist or professional—the accountant, attorney, or physician. Moreover this functional status structure is based, not so much on what the individual does or is doing as on what he

[1] See Robert E. Park and Ernest W. Burgess, *Introduction to the Science of Sociology,* Chicago, University of Chicago Press, 1921, pp. 36*ff.*; Robert L. Sutherland and Julian L. Woodward, *Introductory Sociology,* Philadelphia, J. B. Lippincott Company, 1940, Chap. XVII; the special January, 1949, issue of the *American Journal of Sociology,* which is devoted entirely to industrial sociology.

[2] William Foote Whyte, "The Social Structure of the Restaurant," *American Journal of Sociology,* Vol. 54, No. 4, January, 1949, pp. 302–310.

[3] Chester I. Barnard, in Whyte (ed.), *op. cit.,* pp. 48–50.

can do, his potentialities. The medical doctor or lawyer or accountant or personnel manager has a status determined by his usual or ordinary function, but that status attaches to him and carries over into whatever temporary or possibly unusual activities in which he may engage.

In contrast to this functional structure or system, *scalar status* represents the hierarchy of positions accorded persons because of their authority and the range of control they exert. Relationships are those of superior and subordinate. Status is accorded in terms of a "chain of command" or of lines of authority. It attaches to the person holding each position at a given time. It may not extend outside the plant or shop. Whereas functional status carries over into situations outside the workplace, scalar or "authority" status shows less tendency to do so.

In many organizations, a third status system may have as great influence as either of the two described by Barnard. In it, status is accorded by virtue of demonstrated leadership among employees. The shop steward may enjoy some status because he exercises authority; in part his status may reflect the deference of employees to his demonstrated ability to mobilize them and lead them. Frequently, leaders are clearly recognized although they have neither authority nor special technical qualifications. They are the "key men," the "opinion formers" in an organization. They are parts of a highly significant though informal status system.

1.3 *Bases of Status.* The distinction of functional, scalar, and less formal status systems suggests some of the major factors that appear to determine status in the working environment. Several such factors are apparent. Probably the most frequently noted is the nature of the work performed or capable of being performed. Historically, at least, this differential may have been based on skill, although there is clear-cut evidence that skill status has tended to have lesser significance as changing technology has "leveled out" jobs and reduced larger proportions of all employees to the function of machine tending.

In modern business, industry, and government, occupational status appears to be less associated with skill than with the privileges and perquisites of various jobs. "White collar" jobs usually have longer vacations; they may not require punching a time clock; they are closer to the top of the formal organization structure. Those who hold such jobs enjoy many privileges. They may leave their desk without permission. They may be permitted to smoke on the job. They have separate washrooms and lockers or have access to facilities otherwise limited to executives. They may have freedom in moving through the plant. They are closer in lines of communication to the source of orders and information. They are apt to know first of proposed expansions or new orders or planned reductions in operations. For these and other similar reasons,

they frequently enjoy higher status than that accorded rank-and-file manual employees.

TABLE 13.1. STATUS RANKS OF OCCUPATIONS[1]

Note: The ranks are based on the median rank assigned to each of the occupations by 450 persons in 1925 and by 475 persons in 1946. The occupations are listed according to the rankings obtained by Counts in 1925. The correlation (rho) between the two rankings is +97.

Occupations	Rank order by Counts, 1925	Rank order by Deeg and Paterson, 1946
Banker	1	2.5
Physician	2	1
Lawyer	3	2.5
Superintendent of schools	4	4
Civil engineer	5	5
Army captain	6	6
Foreign missionary	7	7
Elementary school teacher	8	8
Farmer	9	12
Machinist	10	9
Traveling salesman	11	16
Grocer	12	13
Electrician	13	11
Insurance agent	14	10
Mail carrier	15	14
Carpenter	16	15
Soldier	17	19
Plumber	18	17
Motorman	19	18
Barber	20	20
Truck driver	21	21.5
Coal miner	22	21.5
Janitor	23	23
Hod carrier	24	24
Ditch digger	25	25

[1] From Maethel E. Deeg and Donald G. Paterson, "Changes in Social Status of Occupations," *Occupations*, Vol. 25, No. 4, January, 1947, p. 206.

In the shop, similar occupational differentiation is notable. Skilled employees may have greater freedom of movement, more to say about production processes, more frequent consultations with foremen and other supervisors. Their absence is a matter of moment and comment. Machine operators may enjoy some privileges not allowed to assemblers or unskilled employees. They may go to and from the tool room; they have authority to sign for equipment; they may call for materials or supplies.

1.31 *Prestige values.* In part, such occupational status reflects the prestige associated with various occupations inside as well as outside the work place. That there are significant differences in prestige values of occupations cannot be questioned. Several studies have shown such differentials among high school and college students as well as employed adults and have found that the ratings thus accorded tend to persist over considerable periods of time.[1] Table 13.1 illustrates the results of two of these studies and indicates the range of values attached to even a short list of occupations.

1.32 *Compensation.* Another consideration that unquestionably affects status in many employments is that of compensation—levels of wages, salaries, and earnings. Some jobs in the status structure have prestige because they pay more. Here again, an underlying relationship to skill may exist. But modern job-evaluation programs have shown that wages reflect payment for many factors other than skill. The amount of education and training required, length of training period, responsibility for property and for the safety of fellow employees, prevalence of unusual hazards or unpleasant working conditions—these and other considerations frequently exert an important influence on wage rates and indirectly on job status.

Status may reflect not only the amount of wages but the time period for which they are calculated and paid and the manner of payment. Status may be increased if payment is made on a weekly, semimonthly, or monthly rate, rather than a piecework or hourly basis. A pay check may be a symbol of status when compared with an envelope containing cash, for executives are rarely paid in currency. Status may be accorded those who are assured of regular, equal payment, rather than varying amounts that reflect layoffs, shutdowns, and other interruptions.

In part, also, status differentials based on pay reflect what the wage will permit employees to buy or own outside the work place. A large home, a better car, a vacation trip—these illustrate ways in which earnings indirectly influence status in the work-place structure.

1.33 *Other factors.* In some situations, racial or ethnic characteristics play a part in the structure of status. Some racial groups "rate," in the parlance of the shop; others do not. Some jobs are "hunkie" jobs; they will not be accepted by others.

Sex has a place in most status systems. For the most part, in industrial and commercial employment, women and women's jobs are subordinated

[1] See John A. Nietz, "The Depression and the Social Status of Occupations," *The Elementary School Journal*, Vol. 35, No. 6, February, 1935, pp. 454–461; G. W. Hortmann, "The Prestige of Occupations," *Personnel Journal*, Vol. 13, No. 3, October, 1934, pp. 144–152; Maethel E. Deeg and Donald G. Paterson, "Changes in Social Status of Occupations," *Occupations*, Vol. 25, No. 4, January, 1947, pp. 205–208; Lucile Baudler and Donald G. Paterson, "Social Status of Women's Occupations," *ibid.*, No. 7, April, 1948, pp. 421–424.

to those generally held by males. Males achieve recognition merely because they are males, especially in office employments.

Age is frequently one of the most important factors in status. There is some evidence that its importance in employment relationships was greater in earlier years than it is at present. When experience counted for more in terms of job performance, both age and experience were important considerations in status systems. As skill has become less important in many processes, the age differential has also become less important. But both age and experience provide a basis of differentiation. Status structures are founded on such differences.

Other factors are significant in some status structures. Education, degrees, travel, family relationships, and many other personal qualifications and differences may affect status in some organizations. Individual employees may enjoy status on account of their families—being the son of a proprietor or of a skilled mechanic, or the father of a baseball, football, or basketball star. Status may attach to length of service, seniority, earlier leadership in union activity, or personal knowledge of historic changes in the concern.

1.4 *Symbols of Status.* Within a status system, a wide range of symbols identifies various levels. A private office, a uniform, a white shirt, or other clothing may designate different strata. A telephone, the size of the desk, a carpet on the floor, inclusion in weekly supervisory meetings, a length-of-service watch or badge or pin, a certificate or diploma—all these and many more "marks" have important connotations of status. They are widely used and recognized by all those who participate in the system.

Such symbols provide one of the most tangible evidences of the importance and personal significance employees attach to existing status systems. Any change that threatens such symbols may assume unusual importance. To move employees to another floor or further down the corridor from "head offices" may be seriously objectionable, even though proposed facilities are superior in every way. Requirement that employees wear a badge, that they use a specified rest room, that they attend or refrain from attending staff conferences may have status implications that are unsuspected by managements.

1.5 *Apparatus of Status.* Barnard has described the "organizational apparatus" by which status is established and maintained.[1] He lists five categories of such apparatus, including (1) ceremonies of induction and appointment, (2) insignia and other indicia, (3) titles, (4) emoluments and perquisites, and (5) limitations and restrictions. Not all of these devices appear with equal prominence in industrial status systems. Ceremonial, for example, is not widely used, although it may appear

[1] Barnard, *op. cit.*, p. 50.

in connection with recognition given length of service. Presentation of badges and pins, at a special dinner meeting of officers and executives, is a common procedure.

Insignia and other symbols of status are widely used in employment relationships, as has been noted. Titles play an important part, as is evidenced by the regard shown for such designations as "senior grade," "class *A*," "assistant," "associate," "chief," "principal," and other such designations. Emoluments and perquisites are illustrated by the right to have a telephone, a desk, a private office, a private locker, a secretary, to eat in the supervisors' dining room, to join the officers' club, to have a key to a private locker and washroom, to move around through the plant, to smoke on the job, to "split" vacations, to work overtime without authorization, to hire or discharge, to use a company car, and many other rights, prerogatives, and privileges.

"Restrictions" are devices intended primarily to maintain the status system. They may be more obvious as they restrict those in lower status levels—in limiting their access to private dining rooms, their freedom in leaving the workbench, or their entrance to the offices of managers. But they operate also in restricting the activities of those in higher levels of scalar status. Thus, supervisors may be encouraged not to participate in recreational activities, become members of athletic teams, attend employee meetings, "drop in" to the same taverns as rank-and-file employees, eat in the employee cafeteria, or indulge in the same language as do shop employees. Part of the induction to higher status frequently consists of words of caution as to what the new initiate, up from the ranks, no longer does in order to preserve his newly acquired status. The widespread use of such restrictions in the military service has frequently attracted public attention. But industry's restrictions are no less important because they may be less widely publicized.

1.51 *Social distance.* Social distance is a condition that grows out of status systems and, at the same time, a means of preserving these status structures. The term social distance refers to the similarities or differences in attitudes, beliefs, and viewpoints that characterize individuals. Those who have closely similar reactions to common values are separated by little social distance; those who think differently and whose attitudes are sharply divergent reflect greater social distance. A classic illustration of social distance refers to the differences in viewpoint separating stockholders in a giant corporation from rank-and-file employees of an individual plant.

Bellows has described a concept of optimal social distance for effective cooperation.[1] He explains that the actual optimal distance varies from one situation to another but that there is—for each particular employ-

[1] Bellows, *op. cit.*, p. 292.

ment relationship—a distance that results in maximum cooperation. He notes that, in most large concerns, the practical problem is one of reducing social distance between managements and employees so that they can understand each other and work together toward common objectives.

Social distance reflects and reinforces the status structure of a business or governmental organization. The fact that supervisors and rank-and-file employees have different attitudes toward efficient production and maximum output—among other distinctions in their viewpoints—indicates the existence of social distance and at the same time supports the differentiation in function and status. The fact that union leaders may have a point of view similar to that of employees tends to reduce social distance in this relationship and thus to bring them together. On the other hand, too little social distance between union officers and rank-and-file union members may lower the prestige of such officers and limit the effectiveness of their leadership.

2.0 Significance of Status

Status structures in industry have implications for both individual behavior and that of groups. Their understanding is important in any interpretation of employee actions and reactions. They condition the behavior of all participants in the employment relationship. Reactions of employees, from top managements to common labor, frequently reflect considerations of status. The student of industrial relations and labor problems can obtain a better understanding as to why both managers and employees do what they do and why their reactions are what they are by reference to the influence and effects of these status structures. In a sense, they are modifiers of the economic process that is so frequently regarded as an adequate key to this behavior. They offer another approach, an "angle," from which the behavior in employment that is the subject matter of labor problems may be explored.

Management groups, for example, may oppose a change in a collective agreement because they see in it a threat to their status. Employees may object to a "blanket" or "across the board" increase in wages because it lessens wage differentials and thus threatens one basis for the status structure. Unions and their members are likely to oppose any change that they feel may adversely affect their status or that of their officers.

2.1 *Importance to the Individual.* To the individual, status systems provide a means of securing recognition, an assurance of participation and "belongingness" in various groups, and an incentive to continued participation and perhaps to unusual or outstanding performance.

The acceptance of status in the inclusive structure in itself provides a

degree of recognition. The fact that the employee is regarded by his fellows as having status—however high or low—is a recognition of the propriety and reality of his participation. He is seen as having a "right" to be there. He is one of the group, with a definite niche and position assigned to him.

If the job he holds is highly regarded, this recognition is transferred and "personalized," so that the job holder basks in this reflected recognition. He is pleased with himself because he likes the prestige of his job. He, as well as his job, has status.[1]

Numerous studies that have sought to measure satisfaction with one's job have found that job status and prestige are important factors in such satisfaction. If the job is accorded a high position in the status structure, that fact is likely to encourage the job holder to be more satisfied.[2] If, on the other hand, the job is depreciated and regarded as "low-caste," the job holder may be dissatisfied with it, for that reason. A newspaper story reports, for example, that an organization of truck drivers took quite seriously a published reference to drivers that suggested they were rough and crude. The organization noted the need both to disprove the allegation (if necessary by educating some drivers) and to change public opinion, in order that drivers might be satisfied with their jobs.

Opportunities for increasing personal status in the future by moving to a job having higher status may spur an individual to unusual effort or encourage patience and endurance. Thus the apprentice may secure some of the motivation essential to his persistence through a long period of training from the prospect of ultimately improved status as a journeyman. In other situations, difficult or unpleasant work may be tolerated or actually sought, because it is regarded as essential preparation for a job that has a high status rating. Many jobs have a tradition of "tough" training. "Coming up from the ranks" may be the accepted course for certain occupations.

Demands of the individual employee upon his job, the range of satisfactions he seeks from it, appear to vary widely. There is some evidence that they may reflect deficiencies in other phases of his social life. Limitations on interpersonal relations in other associations—in the home, for example—may occasion more inclusive demands on job relationships.

[1] See, in this connection, Dale Yoder, Donald G. Paterson, *et al.*, *Local Labor Market Research*, Minneapolis, University of Minnesota Press, 1948, pp. 122*ff.*, in which studies of a wide variety of employees reflect differences in their attitudes toward their jobs. See also D. G. Paterson and C. Harold Stone, "Dissatisfaction with Life Work among Adult Workers," *Occupations*, Vol. 21, No. 3, November, 1942, pp. 219–221.

[2] See, in this connection, Robert Hoppock, *Job Satisfaction*, New York, Harper & Brothers, 1935; Thomas Hand, Robert Hoppock, and Phillip J. Zlatchin, "Job Satisfaction: Researches of 1944 and 1945," *Occupations*, Vol. 26, No. 7, April, 1948, pp. 425–431, which includes references to numerous other articles on the subject.

Recognition and approbation on the job, status in employment associations, may be all the more important if home and family relationships are weak.[1]

2.11 *Status and security.* Status granted to the individual contributes to his feeling of security. As a part of the group, definitely associated with and related to the rest, he regards the give-and-take of mutual appraisal and recognition as tying him into the social fabric. They—the members of the group—represent stability and power, from which he draws strength and assurance. His fortune is associated with theirs; they are joint participants in the hazards of job holding. Their interests are his. As a group, they will defend and protect his and their interests.

To new employees who have only recently come to the community or entered the labor force, the feeling of insecurity is frequently almost overwhelming. Status and recognition are welcomed as evidence of ties that bind them to fellow employees and assurance of their acceptability. Even the lowliest status is an indication of their acceptance by members of the fraternity.

2.12 *Cliques.* As means of increasing these ties, the individual may seek a place in several subordinate or smaller status systems. These are the cliques recognizable in most employment situations. They may include employees in a single room or department, the group that participates in a car pool, that eats lunch together, plays cards at noon, or is otherwise identified by such collaboration. These small, informal groups appear to be present in all employment relationships. They have been reported by a wide range of observers.[2] They are most commonly based on the occupational status of members, although other bases, such as have been mentioned, may be more important. They are generally limited to those who meet each other face-to-face, which tends to keep them small. They may be based also on religion, race, political beliefs, family status, residence, and other such distinctions. Moore reports that a clique may reflect the "home town" of employees, or transfer from the "main plant," or other earlier associations.[3]

These small groups are important in communication as well as in attitude formation. They provide informal forums in which gossip and shop talk are circulated and discussed and opinion is formed.

[1] For a detailed report on these considerations, see Jeanette G. Friend and Ernest A. Haggard, "Work Adjustment in Relation to Family Background," *Applied Psychology Monographs*, No. 16, June, 1948, Chaps. 10 and 11.

[2] See, for example, F. J. Roethlisberger and William J. Dickson, *Management and the Worker*, Cambridge, Mass., Harvard University Press, 1939, Chap. 21; W. Fred Cottrell, *The Railroader*, Stanford University, Calif., Stanford University Press, 1940, Chap. 3.

[3] Wilbert E. Moore, *Industrial Relations and the Social Order*, New York, The Macmillan Company, 1946, pp. 321–322.

2.2 Status and Social Control. Status structures, both formal and informal, are effective means of social control. This characteristic is more obvious in the formal systems of scalar status, where the structure is actually based on areas and ranges of authority. The foreman, supervisor, general superintendent, or other official is specifically charged with responsibility for controlling those under his direction. He is accorded status because of that responsibility, and his status aids him in the exercise of his authority.

Informal status structures may be at least as important, however, for they establish approved patterns of behavior and commend or discipline group members who observe or violate these patterns. Failure on the part of an individual employee to conform to approved patterns may result in a loss of status. An element of group solidarity is thus introduced and maintained.

Attitudes toward shop rules and regulations, toward safety provisions and practices, toward managements and ownership, and toward productivity and output may be defined and reinforced within such an informal status structure. Patterns initiated by those who hold higher status are likely to be followed by those who look up to them. Informal —although almost formal—production "bogeys" or limits may be set; employees will hesitate to exceed these limits, regardless of formal standards or incentive compensation. Refusal to follow approved safety rules and disparagement of safety equipment or prescribed safety practices may be widely cultivated and enforced if those who have superior status suggest such attitudes. Employees may feel constrained to avoid punctuality, to adopt a careless manner, to fail to clean up their machines, if those who enjoy high status indicate by word or action that such conduct is appropriate.

Similar controls may be noted throughout a community that is dominated by industrial plants. In the Yankee City studies, Warner and Low[1] have described the extensive controls maintained by the status structure of a shoe manufacturing community. They note the power and prestige of old families and of the skilled craftsmen who organized the first unions. They observe that "In the days of local capitalism, the shoe manufacturers were accepted by all social strata as leaders of the total community." Their suggestions were approved; patterns of behavior they demonstrated were regarded as models and widely copied. Much of the formal status structures of the plants was transferred to the community. There it proved a basis for peaceful cooperation until

[1] See, for a short summary, W. Lloyd Warner and J. O. Low, "The Factory in the Community," in William Foot Whyte (ed.), *Industry and Society*, New York, McGraw-Hill Book Company, Inc., 1946, p. 21–45.

changes in status, occasioned primarily by the transfer of ownership to a "foreign" corporation, removed these social controls.[1]

2.3 *Status and Cooperation.* From what has been said, it will be apparent that status systems in industry complicate the essential functions of manpower allocation and utilization. It should be recognized as well, however, that these social factors make an essential contribution to any system that requires cooperation. In part, this is because the social controls exercised through status systems are themselves elements in cooperation. Cooperation requires controls of some type; those provided by status structures are appropriate and effective. They are essential, both to cooperation between managements and employees and in facilitating cooperation among employees.

Status structures may, of course, limit or restrict cooperation at the same time that they facilitate other cooperative action. Their interference with controls designed to secure cooperation is frequently apparent. Thus, for example, in so far as status systems develop loyalties and group solidarity, they tend to restrict the mobility of manpower. Because associations become so important, voluntary movement from one job to another or among different plants or localities may be limited. Employees may be reluctant to change jobs, in spite of managerial desires and inducements offered to those who shift. Monetary differentials in wages may not be effective, as they are frequently assumed to be, in moving manpower to points where the need for it is greatest. This consideration was frequently demonstrated during World War II, when wage adjustments designed to reallocate manpower could not overcome the force of nonwage considerations, including plant and community status. To secure additional foundry labor, for example, Barbadians had to be imported in some cases, for no wage adjustment or other managerial control proved adequate to mobilize domestic manpower for these operations.

On the other hand, examples of the manner in which status structures contribute directly to effective cooperation are numerous. They distinguish jobs and, by relating status to the skill, ability, experience, and training required on the job—to mention only a few of the bases for status—they create and maintain the subordination and superordination that are essential to large-scale cooperation. They contribute, in other words, to the organization of industry, to its definition of superiors and subordinates, its hierarchy of levels, echelons, and ranks.

[1] See also various studies of leadership, including especially Ralph M. Stogdill, "Personal Factors Associated with Leadership," *Leadership Studies*, No. 1, Columbus, Ohio State University, 1948, and Ralph M. Stogdill and Carroll L. Shartle, "Methods of Determining Patterns of Leadership Behavior in Relation to Organization Structure and Objectives," *Leadership Studies*, No. 2, Columbus, Ohio State University, 1948.

Some such process of stratification is clearly essential. All employees cannot give directions and instructions to all others. Some must direct; others must take directions. There must be assurance that those who give directions are, so far as possible, qualified to do so. Moreover, their action must be accompanied with prestige that will stimulate acceptance and compliance.[1]

Status structures, both formal and informal, provide the essential differentiation of ranks and supply the authority, authenticity, and prestige necessary to motivate compliance and cooperation. They identify authority and competence. Through their operation, older, experienced employees are enabled to guide those who are less informed, and the instructions of supervisors are endowed with authenticity and authority.

3.0 Problems of Status

Although formal systems of scalar status are an essential managerial device, existence of both formal and informal status systems creates many problems. They occasion personal problems for employees, personnel problems for managements, and organizational problems for unions. Some managements have proposed, for this reason, that informal structures should be abolished, although no one has suggested just how this result might be accomplished. Transfers of employees from one department to another, for example, may be made increasingly difficult because considerations of status are involved. Promotions, if they violate the informal status structure, may result in conflicts and insubordination. Cliques may facilitate the exchange of rumors and inaccurate information that destroys employee morale, or stimulates criticism of management, or undermines the program of a union.

Unions frequently encounter situations in which status structures are interfering with their objectives. Both formal and informal structures may interfere with organizations of employees, when, for example, certain cliques insist on dominating the union program, or status considerations interfere with a negotiated wage adjustment. Authoritarian status may interfere with programs of unionization, when those in authority let it be known that they do not approve. Community status structures based on industry patterns also limit the effectiveness of union drives. The prestige and regard in which owners or supervisors are held may restrict employee action, cause hesitation about joining the union, prevent participation in a strike, or encourage back-to-work

[1] In this connection, see the report of status structures in a wartime relocation center in Alexander Leighton, *The Governing of Men*, Princeton, N.J., Princeton University Press, 1945.

movements. Leadership in the formal status system may be directly opposed to union leadership.

Apart from these problems for individual managements and for unions, status structures in industry—in the plant, in the community, and in unions—create problems for larger societies. They give rise to labor problems, in other words, and what is probably more important, they are an essential and persistent factor in many other labor problems.

For the most part, the importance of status and status systems in current labor problems is apparent in three aspects of such problems which may be briefly described as follows:

1. Status structures create strong resistance to change and thus restrict experimentation and progress.
2. Their disruption or disorganization removes an important element in social control.
3. Failure to recognize the existence and importance of status and status systems results in frequent misunderstanding and may occasion inappropriate public policy.

3.1 *Resistance to Change.* Continued change—in technology, organization, and economic relationships—has been described as being possibly the most impressive characteristic of modern economies. Such changes are always in process as new plants are built, new machines are installed, new jobs are created and older jobs disappear, new wage and salary provisions are instituted, new legal regulations are imposed, new unions are formed, and new selection, training, rating, and other managerial techniques and devices are introduced. Progress, in the usual meaning of the term, consists of the results of such changes. Competition—local, national, and international—makes them essential and inevitable.

Status structures frequently tend to oppose any such change that threatens existing status assignments. Introduction of new machines, for example, has often destroyed the status of those who were formerly skilled craftsmen. Job breakdown—in which tasks requiring skill are separated out and assigned to specialists, while the remaining tasks are given to unskilled employees—involves similar threats to status structures. Any change in plant operations, a change of product or of processing, of compensation, of routing, of standards on various jobs, may have similar implications.

Because status means so much to individual employees, threats to a status system may evoke powerful emotional reactions. A proposal to place supervisors on an hourly rated basis instead of a monthly salary, or to put in incentive rates where hourly rates have been established, for example—in spite of the probability of higher earnings—may occasion revolt. Even if no such violent reaction appears on the surface, employee morale may be seriously affected.

Individual employees may not clearly recognize the basis for their

own antipathy to these proposed changes. They may describe reasons for their objections that are quite unrelated to the status structure. Or they may be vaguely dissatisfied and critical, without mention of the source or object of their criticism. One observer has summarized his conclusions with respect to the basic elements in such situations in the statement that "much of the anxiety and disorganization which accompanies changes is due to the serious dislocation of this social framework that serves both as a guide to action and as a reference system for meaning."[1]

Such inflexibility has obvious implications for increased productivity and higher scales of living, both of which are generally accepted social goals. Similarly important is the tendency of status structures to restrict employee mobility. On the whole, these status systems create a sort of social and economic inertia that retards change and limits experimentation and progress at the same time that it provides a basis for cooperation and social stability.

3.2 *Breakdown in Social Control.* In their *The Social System of the Modern Factory*, Warner and Low[2] have described the general disorganization that followed a breakdown in the status structure of a manufacturing community. They have traced the development of the community, its financial dependence upon several shoe-manufacturing industries employing some 1,500 members, its month-long strike in the midst of the 1930 depression, and the changes that took place as employees organized a union and industrial peace was reestablished. They note the drastic changes that occurred, in which a community which had an unusual record of freedom from strikes was torn apart by a determined stoppage in which almost all employees and many supervisors participated. At the same time, employees who had consistently refused to join a union rapidly transformed the community into a strong union town.

As indicated by their analysis, the disintegration of status structures in the factory and in the community represents a major factor in the explanation of these changes. Gradual disintegration of old structures released established social controls and permitted the unusual behavior that amounted almost to revolution in the community. Status systems lost their influence as controls as a result of technological and other production changes, shifting ownership and management, and related changes in working and living conditions.

The industry involved, shoemaking, had long since moved from handicraft methods to modern factory production. In doing so, it changed from a highly skilled industry to one employing large numbers of semi-

[1] Alex Bavelas, "Some Problems of Organizational Change," *Journal of Social Issues*, Vol. 4, No. 3, Summer, 1948, p. 51.

[2] W. Lloyd Warner and J. O. Low, New Haven, Yale University Press, 1946.

skilled operatives. Ownership of tools and equipment passed from early craftsmen to factory owners. In more recent years, ownership of the factories had been shifted from local citizens to absentee stockholders. Family owners sold out to corporations with principal offices in New York and branches and factories in other cities. Management of local units was placed in the hands of "strangers" sent in to operate the plants for the parent chain owners.

As results of these changes, status accorded earlier skilled and experienced employees and local owners of the plants was no longer effective. When factories had first appeared, their local owners were accepted as leaders in the plant and in the community. Absentee ownership removed this basis for respect. In the breakdown of older structures, employees joined the mass movement that appeared to offer them greatest security and solidarity, the industrial union. Within the union they found or developed a new status system. When the union pressed their demands and assumed leadership, conflict ensued. Breakdown of older controls led to the bitter month-long strike already mentioned.

The story as told in greater detail by Warner and Low is outlined here to illustrate the destruction of established status structures and resulting removal of controls and destruction of long-followed patterns of behavior in employment relationships. The "moral" of the story is not, of course, that old status structures should be or can be preserved, but that their disintegration should be recognized as part, and an essential part, of the explanation of a type of behavior that is highly significant in current labor problems.

3.3 *Development of New Structures.* The process of change in social structures is continuous. Most changes, however, do not result in as spectacular disorganization and conflict as that just described. But they create similar problems on a lesser scale. Not all of them, by any means, are associated with union-management conflicts. Many result from changes in products, production processes, new factories in a community, the discovery of new resources. Opening of oil wells in a midwest agricultural community, for example, has greatly modified status systems within the city and within individual plants.[1] Recent expansion of union membership has exerted a powerful influence in many localities. In many current situations, changes not unlike those described in the preceding section have appeared. Labor organization has increased rapidly in the number of members it includes and the industries in which it has become an established institution. Wherever it has recently developed, new status structures are in process of development, structures in which the union plays an important part.

[1] See Richard Centers, *Psychology of Social Classes*, Princeton, N.J., Princeton University Press, 1949; C. W. M. Hart, "Industrial Relations Research and Social Theory," *Canadian Journal of Economics and Political Science*. Vol. 15. No. 1. February. 1949. pp. 1–21.

As has been noted, status within the union may create a system not unlike that within the plant, with levels of recognition distinguishing rank-and-file members, shop stewards, committee members, business agents, and higher union officials. Since unions are essentially democratic bodies, these distinctions must be based largely on recognition granted by election rather than scalar status based on authority or control. In the creation and development of such status structures, competition and conflict are to be expected. In part, such conflict may involve several unions, each of which seeks to advance a status structure based on its membership and its officers. Within a union, cliques and factions may be struggling to maintain or secure control. In part, conflict may arise from the attempt to superimpose the newer status structure of the union on an older structure developed before the union entered the situation. Again, management and union may seek to promote different status structures, whose competition may result in conflicting loyalties. Many of the policies and tactics of a union may be explainable largely in terms of such conflicts. The union may appear unreasonable in wage demands, for example, because it seeks to outdo or overshadow the accomplishments of a rival union. Union officers may advance programs that appear likely to affect union members adversely. Yet such programs may be understandable as means of maintaining or improving the status of the union or of an individual union official. Competition and conflict among union officials may be expressions of a struggle for position in the union status structure.

4.0 Status and Collective Bargaining

These illustrations indicate only a few of the ways in which *status* may become an important if not a dominating influence in collective bargaining in numerous labor markets. They illustrate how considerations of status frequently underlie and explain union demands, unwillingness to compromise, lengthy negotiations, and apparently ill-advised strikes. They provide a key to frequent refusals of both managements and unions to compromise. For status of the union or of its officers or members as well as the status of management may be intimately involved in a wide range of demands and issues.[1]

One of the ways in which considerations of status frequently complicate negotiation and administration of labor agreements is evident in the handling of grievances. As Professor J. M. Porter has described this situation:[2]

[1] See, in this connection, Arthur Ross, *Trade Union Wage Policy*, Berkeley, University of California Press, 1948.

[2] In his paper, "The Arbitration of Industrial Disputes Arising from Disciplinary Action," presented to the Industrial Relations Research Association, Annual meeting,

The need for status, frequently coupled with adherence to feelings of group loyalty, also seems to motivate some of the union's activities. Many cases in which violation of shop rules and incompetency and/or inefficiency are charged are brought to arbitration by the union even though the facts seem clear that the employee has been guilty of the conduct alleged and no discrimination on the part of management is evident. The union leadership fights the disciplinary action because its status with its members has been challenged and group loyalty tested. The motive of status protection is even more clearly defined in the union's defense of alleged acts of insubordination or contract violation.

4.1 *Status and Wage Issues.* Because wages may be one of the major factors in defining status, wage issues in collective bargaining frequently have much more significance to wage earners than might be assumed. The few cents per hour generally at issue may be definitive, in terms of the status of the group of employees involved. They may regard as entirely unacceptable what appears to the public, to impartial observers, and to neutral arbitrators to be a reasonable compromise. Acceptance might jeopardize the union's status or that of its officers. Such situations are frequently encountered in industries in which two or more large unions are competing, as in meat packing or in the struggle to enroll retail clerks.

The status of union leaders and of the whole union organization may be at stake in such negotiations. Union members may feel that they must maintain or exceed the "pattern" of upward wage adjustments. Or leaders may seek to increase the prestige of their organization by securing unusual increases and special financial benefits. Rival leaders within an organization may make settlement difficult by their efforts to maintain or advance their personal status through "tough," "hard-boiled" relationships with employer representatives.

Management status may be similarly involved in many issues. A firm may seek to maintain its reputation of toughness, of holding down wage demands, of resisting the "dictation" of the union. Management may feel that it will lose prestige in the industry and in the community if it accedes too readily to union proposals. Hence, in spite of ability to pay or even a general recognition that a considerable increase in wage rates is justified, considerations of status may block or greatly retard settlement of wage issues. Individual representatives of management may be similarly motivated in dealing with individual wage grievances and proposed adjustments.

4.2 *Fringe Issues.* Numerous "fringe issues" involving indirect wage payments may involve considerations of status. Because of status

Dec. 30, 1949. See also the discussion of "Group Tension and Interest Organizations" presented on Dec. 29, 1949, before the American Economic Association by Professor Herbert Blumer.

implications, they may frequently be of greater importance in negotiations than is suggested by their costs or economic benefits. Paid vacations, for example, were for many years the almost exclusive prerogative of white collar office employees. Equality of vacation privileges, therefore, frequently means more than the addition of 2, 4, or 6 per cent to wages. Vacation privileges mean that manual employees have attained the symbol of a higher level of status.

Pay for holidays not worked is another of these symbols, as is paid sickness leave. A shorter work-week may have similar significance. In each instance, the change is associated with privileges and prerogatives of a group presently enjoying superior status. They are symbols of attainment and recognition. These and many other issues in collective bargaining may be inadequately understood and appreciated if their implications for status are ignored.

4.3 *Representation in Collective Bargaining.* To a degree the whole process of collective bargaining has developed to overcome problems of status. Individual employees have pooled their interests in such bargaining not merely because they as individuals are economically weaker than employers, but also because the status accorded managers and employers as contrasted with that attached to rank-and-file employees makes direct negotiation between the two difficult. Managerial prestige tends to restrict free discussion and completely candid exchanges of viewpoint. Effective bargaining is facilitated, therefore, by providing employee representatives with more nearly comparable status. That result is in part attained by bringing in representatives from outside the formal scalar status system of the individual firm or plant.

5.0 Conclusion

Many current labor problems may be more fully understood by reference to the status structures that characterize employment relationships. In the situations in which manpower is employed, interpersonal relationships create and are in turn shaped and directed by these status systems. The assignment and maintenance of status reflect basic human needs. Status systems grow out of these needs and contribute to job satisfaction and the individual's sense of personal worth and security. Individual employees, for this reason, place great value on their own status and on the structure of which it is a part.

Because they regard it highly, a status system exerts a powerful influence in social control of the group. Changes that cause the status structure to disintegrate leave group members without established and accepted patterns of behavior. At the same time, such changes may be regarded as a threat to the personal status of numerous individual employees. Such changes may, therefore, engender widespread social

disorganization and unpredictable employment relationships at the same time that they evoke emotional responses that may encourage irrational action, including disorder and violence.

One of the major problems created by these status structures, from the standpoint of larger societies, is the resistance to change which they encourage. Most of the goals established by modern societies require continued evolution. Most economic systems are dynamic. But status structures create a sort of social and economic inertia. At the same time they tend to reduce employee mobility, because individuals may hesitate to leave a situation in which they have acquired status.

Status considerations may underlie many of the demands and manipulations that frequently characterize collective bargaining. Because wage and other demands have connotations for status, they may be more important to employees than they would be if they were regarded purely in terms of their economic significance. Moreover, competition for status between unions and within a union may complicate issues and preclude what appear to be reasonable compromises. Demands for collective bargaining through "outside" representatives reflect, in part, a desire to negotiate from outside the scalar status structure of the firm.

QUESTIONS AND EXERCISES

1. How are interpersonal relationships in employment involved in current labor problems?
2. Explain how sociometric measurement seeks to explain and appraise these relationships.
3. What is meant by status and by status systems and structures?
4. Show how status structures mold and modify attitudes and behavior in employment relationships.
5. Distinguish functional status from scalar status.
6. What are the principal bases for status in employment relationships?
7. Describe the symbols and apparatus of status systems.
8. How are status and social distance related?
9. Show how considerations of status not only shape individual behavior but also affect attitudes toward and performance of jobs.
10. How is status related to desires for job security?
11. How are status structures means of social control?
12. Show how status systems facilitate cooperation, on a voluntary basis, among managements, supervisors, and rank and file employees.
13. How may status systems create problems for managements and for unions?
14. How are status systems "conservative"?
15. How is status in employment relationships affected by and related to collective bargaining?
16. Show how considerations of status may be especially important in wage and fringe issues.
17. How may considerations of the status of management affect collective bargaining?

Chapter 14

Collective Bargaining in Labor Markets

Labor markets, it has been said, are distinctive in many respects. Among the most interesting and significant distinctions is the fact that, in many markets, those who offer their personal services for sale have joined hands and agreed that they will only make an agreement as to the terms of sale on a group basis. They will not bargain individually; they insist that those who seek to buy shall meet with their representatives, whom they have authorized to speak for them.

1.0 Meaning and Scope of Collective Bargaining

This is not an entirely distinctive phenomenon, of course, for the sellers of goods—as distinguished from personal services—have sometimes formed marketing associations. But this development in labor markets is of particular significance because of the fact that manpower is itself distinctive and because society as a whole is so directly concerned in the results of negotiations. For many of the most important goals of all modern societies are involved in the settlement of labor market negotiations and in the terms thus established. The provision of employment, the fullest possible development of human personalities, the efficient allocation and utilization of manpower resources, the improvement of living scales of wage earners—these and other social goals are involved in the outcome of the collective bargaining process.

Not all these considerations are economic, of course, nor are the purposes of unions purely economic—merely to act as manpower marketing associations. Labor organization and collective bargaining are more complicated than is implied in any such simple statement. It is the purpose of this chapter to provide a more adequate outline of the function of collective bargaining in modern society.

1.1 *Extent and Scope of Collective Bargaining.* That collective bargaining is no insignificant consideration in current labor markets may be judged from the fact that, in 1949, approximately 50 per cent of all those working in employments for which unions were available were employed under terms of a collective agreement. In other words, according to the Federal Department of Labor, some 31.2 million employees were occupied in jobs eligible for contract coverage. Half of them were covered by these agreements. In manufacturing industries, 70 per cent worked under terms of collective agreements. Unions included more than 15 million

members, approximately one-fourth of the total labor force. More than 50,000 agreements were in force. They were operative in every major industrial classification, although they were particularly important in transportation and public utilities, manufacturing, mining, and construction. They were less important in trade, finance, services, and government.

Growth of organization among "white-collar" employees in recent years has tended to reduce the earlier differences among industries. Comparatively speaking, however, only a small proportion of eligible white-collar employees is organized. Moreover, attitudes of salaried groups frequently appear to support managerial viewpoints rather than those of wage earners, although there is some evidence that this situation is changing.[1]

Collective agreements go much further than the mere specification of wages and hours of employment. They define a wide range or working conditions, including seniority, promotions, transfers, vacations, overtime rules, layoffs, handling of grievances, apprenticeship, probation, no-strike and no-lockout arrangements, and many others. They and the rules and traditions that have grown up around their interpretation and application—the day-to-day administration of such "contracts"—have created what Professor Slichter has described as an "industrial jurisprudence." Its influence in labor marketing effectively reshapes both supplies of and demands for labor in what may amount to a majority of the labor markets of the nation. Hence, collective bargaining plays an important role in manpower allocation, utilization, and conservation. In addition, these associations of employees have important implications for the personal and social development of employees, as noted in the preceding chapter.

2.0 Theory of Collective Bargaining

For many years, the common American conception of labor organization was typified in the description given by John Mitchell, former vice-president of the American Federation of Labor. He described a labor organization as "an organization of workmen in one trade, who have agreed among themselves not to bargain individually but to agree to the terms of a collective or joint contract between employer and union."[2] This description, of course, emphasizes the craft type of organization, which was predominant in early organized labor in America. It stresses, also, the *economic* function of collective bargaining, implying that the

[1] See Robert K. Burns' report in *Proceedings, Americal Management Association, Personnel Conference*, 1947, Vol. 9, No. 3, March, 1947, pp. 49–52; also S. MacQueen, "The Retail Clerk and His Union," *The* (Canadian) *Commercial Journal*, Vol. 2, No. 9, January, 1949, pp. 40–47.

[2] In *Organized Labor, Its Problems, Purposes, and the Present and Future of American Wage Earners*, Philadelphia, American Book and Bible House, 1903, pp. 9, 10.

major, if not sole, purpose of the union is to represent employees in bargaining for economic considerations.

As has been noted, however, a union seeks social as well as economic gains for employees.[1] Its objectives include improved social status as well as economic advancement. Moreover, as is apparent to all who have followed recent political campaigns, social objectives must be regarded as including goals in the political field as well, for many unions have been actively engaged in politics. In addition, unions provide a means of securing recognition and power within their ranks, a consideration of no little importance to many employees who, for one reason or another, fail to secure such satisfaction on the job.

Unionism represents, to a considerable extent, an organized effort to advance toward the achievement of social goals. Thus, for example, wage earners join with other wage earners to improve their economic welfare and living scales. To some extent, also, the union offers an opportunity for more effective political participation. In its organization, wage earners find an opportunity to exercise and develop their talents as leaders. They achieve recognition and status.

In addition, however, unions and unionists have goals that are distinct from those of society as a whole. They may seek to advance the economic welfare of their members, without particular consideration for the economic welfare of nonmembers. They, like other institutions, soon develop the important goal of self-preservation—they seek to perpetuate themselves as institutions. They strive to assure members greater power, as well as added dignity and prestige. Thus, through the union, the wage earner exerts a more powerful influence in determining working conditions and perhaps in assuring added economic security in periods of depression and layoff.

2.1 *Economic Interpretation of Unionism.* It is generally assumed that the primary objective of unionism, through the years, has been economic. Proponents of unionism have insisted that a *permanent* or *continuing* association of employees in a given labor market can achieve some of the economic advantages of monopoly in the sale of manpower services. Many union spokesmen propose bilateral monopoly in labor markets. As Mitchell has said, the union seeks "to combine in one organization all the men employed, or capable of being employed, at a given trade and to demand and secure for each and all of them a definite minimum standard of wages, hours, and conditions of work."

Most of those who have sought to explain the emergence and development of unions have not regarded this objective merely as a shrewd business undertaking. On the contrary, they conclude that organization

[1] See also Clyde E. Dankert, *Contemporary Unionism*, New York, Prentice-Hall, Inc., 1948, pp. 1–10.

has generally been forced on employees by the superior bargaining position of employers. They point to the fact that an employer has distinct advantages, in such bargaining, over any individual employee. The employer can better afford to delay; the employee's salable services disappear with each day of unemployment. The employer is likely to have superior market knowledge and information secured through trade or other associations of employers in the same or similar markets.

Most analyses of labor markets in which employees are unorganized indicate that the individual wage earner is essentially powerless to determine conditions of employment. He has only two choices—to accept employment conditions offered by one or another employer or to leave them and be unemployed. It is sometimes argued, of course, that the employer has full freedom to accept such employment as is offered or to leave it; that he is under no constraint to accept any job unless it suits him. Such an appraisal obviously overlooks the many pressures that make employment essential to the individual wage earner. While he may reject one or all jobs, and while modern societies will provide him with subsistence if he does so, such analysis is obviously unreal. Actually, pressures of family needs, desires to live at a level above subsistence, ambition to get ahead, and drives to express interests and use talents combine to force most potential wage earners to accept jobs. Under these more realistic circumstances, what influence can the unorganized job seeker exert on the conditions under which he is employed? That is a more realistic manner in which to frame the essential question.

To be effective, the marketing function of unions requires constant attention. In current language, agreements must not only be negotiated and concluded; they must also be administered. Union members may require education and training. Research may have to be undertaken to provide facts for use in negotiation. There are other continuing functions to be performed. Hence, the effective union is not a mere *temporary* or *casual* association. Labor organizations are long-term, permanent combinations.

2.11 *Unionism and capitalism.* The use of cooperative service-selling associations by labor implies, of course, that employees are not working for themselves, that the buyers of their services have interests opposed to those of sellers. That reflects the nature of modern private capitalism. Unions and collective bargaining are phenomena of capitalism. There is no strong labor movement—nor is there any similar function to be performed—in economies that do not allocate manpower through marketing. Free labor unions are appropriate only in free labor markets. If manpower is allocated by government fiat, there is little place for labor marketing associations. Similarly, if labor is its own employer, if industry is owned by labor, there is little opportunity for

economic gain through collective bargaining. That is why free unions disappeared in nazi Germany and fascist Italy. It explains also, why unions of government employees are seldom militant. Their activity is restricted and limited.

This theory of free collective bargaining assumes, therefore, the existence of a large degree of private capitalism. It assumes that employment is provided by the sale of services to individuals or firms whose economic interests dictate that the services of manpower be purchased at as low a price—within limits established by traditions of public welfare—as possible.

2.12 *Unionism and Marxism.* On the other hand, such a theory of collective bargaining is not the Marxian theory of class conflict. Indeed, the two must be sharply differentiated. Marx taught that the social organization of his day was rapidly splitting into two opposing camps or social classes, one composed of employees, the "industrial proletariat," the other made up of those who owned wealth and employed members of the first group. Marx foresaw an eventual climax to the process in which the proletariat would vanquish the *bourgeoisie* and institute a "classless society."

Neither the objective of Marxism—in advancing this split in society—nor the means—the development of class consciousness and loyalty—are similar to those of free unionism. Class consciousness has not been an important factor either in the organization or development of most free labor unions. Moreover, objectives of such unions and of collective bargaining have not, for the most part, been identified with Marxist or socialist objectives. While some unions in this country have sought to extend public ownership in certain industries (not sharply different from what has taken place in England), most collective bargaining gives little concern to classes or ownership, as such. In so far as it is concerned with economic objectives, it regards ownership and management as necessary functions in efficient production. It concentrates attention and effort on the problem of distribution of income. In general, it seeks to secure the largest possible share of income for employees. It may seek to assist managements in maximizing efficiency and income, through union-management cooperative programs. It may criticize managements regarded as inefficient. But free collective bargaining and the unionism that has developed to effectuate it do not, even on a long-term basis, embrace socialist or communist objectives of the abolition of private property and establishment of the classless society.[1]

[1] See, in this connection, Sidney and Beatrice Webb, *History of Trade Unionism*, London, Longmans, Roberts and Green, 1894; also their *Industrial Democracy*, London, Longmans, Roberts and Green, 1897. They did much to popularize the companion bargaining theory of wages, described in an earlier chapter. See also Selig Perlman, *A Theory of the Labor*

2.2 *Broader Concepts of Collective Bargaining.* Students of modern industrial relations have concluded that emphasis upon purely economic objectives has tended to obscure much that is highly pertinent to an understanding of modern unionism and collective bargaining. Unions, it is insisted, are more than mere service-selling organizations. They have values to their members other than those in which they may secure higher wages and improved working conditions. They meet certain psychological needs for recognition. They maintain important status structures. Because their purposes are manifold, their actions cannot be explained as always seeking to advance the economic interests of their members.

Many other union objectives or values may take priority over the maximization of wages. As Professor Clark Kerr has stated, the model of a union must be recognized as something distinct from its members, an institution, with institutional requirements.[1] It may seek, for example, to hold its members or to gain additional members. To that end, it may demand and strike for a startling and unattainable increase in wages. On the other hand, if engaged in a jurisdictional dispute in which the assistance of an employer might help, the union may accept a lower wage than could have been secured. Considerations of the union's treasury or its authority and prestige may be given a higher priority than the earnings of members. Interests of members may be sacrificed in an internal battle for office and power.

In many respects, the typical union is more political than economic. It seeks to maintain itself and to increase its security and power. To that end it engages in conflicts with rival organizations, it shapes its relationships to employers, and it seeks to control internal political conflicts. In all these actions, the improvement of economic conditions affecting members may be regarded as of secondary importance.[2]

2.3 *Types of Unions.* Discussion of these variations in theories of collective bargaining should suggest that there are several types of unions.

Movement, New York, The Macmillan Company, 1928. Professor Perlman has suggested something of a refinement in his conclusion that the central theme of unionism is job control. He concludes that unions seek to establish an order or system in which the union owns the jobs. Through job ownership, opportunities for employment may be controlled and the economic welfare of members protected. See also Russell Bauder, "Three Interpretations of the American Trade Union Movement," *Social Forces*, Vol. 22, No. 2, December, 1948, pp. 215–224.

[1] See his "Economic Analysis and the Study of Industrial Relations," *Bulletin* 7, Minneapolis, University of Minnesota Industrial Relations Center, 1947.

[2] See also Arthur M. Ross, "The Dynamics of Wage Determination under Collective Bargaining," *Reprint* 4, University of California Institute of Industrial Relations, Berkeley, 1948; Philip Taft, "The Association of Catholic Trade Unionists," *Industrial and Labor Relations Review*, Vol. 2, No. 2, January, 1949, pp. 210–218.

That, in part, is the reason collective bargaining takes on different characteristics when viewed by various observers. Unions have been classified according to two principal criteria, (1) their composition, and (2) their principal objectives and functions.

2.31 *Classification by types of membership.* Classification by composition of membership is the simpler of the two, although it is by no means lacking in complications. On that basis five major types of unions are noted, including craft unions, industrial unions, labor unions, trades unions, and industrial councils. Complications arise because the types are not "pure"—there are overlappings and combinations—and because there are many inconsistencies in popular usage.

Craft unions are organizations of employees in a single trade or craft or in closely related crafts. Craft unions represent the earlier and older type of labor organization in the United States. They are generally organized primarily to facilitate collective bargaining, although they may provide numerous other services, including benefit features, cooperative business enterprises, mutual educational programs, and similar group activities. Their membership is craft conscious rather than class conscious. Unions of building tradesmen, of railway conductors, actors and actresses, barbers, and machinists are illustrative of this type of organization. Local craft unions are generally members of a national or international union of the same craft. Such international craft unions are the autonomous bodies that formed and have largely maintained the American Federation of Labor, although, as will be noted, the Federation now includes other types of labor organizations.

The craft union is usually contrasted with what are called *industrial* unions. Their distinctive feature is the fact that they stand ready to admit to membership all those employed in an industry, regardless of their job or skill. The United Mine Workers of America provides an excellent example, although there are many others. Industrial unions may not actually include all skills in an industry; some skilled or semiskilled employees may prefer to be represented by another union. Thus, although the United Automobile Workers is the largest industrial union in the automobile industry, many employees in the industry are represented by other unions. This is true of some tool- and diemakers, of upholsterers, of certain electrical workers, and others.

Most local industrial unions are chartered by national or international unions in the same industry.

Labor unions are similar to industrial unions in that they include members who have varying degrees of skill. They are not, however, restricted to any single industry. At the present time, local labor unions are generally formed in small communities where numbers of employees in an individual craft are too small to justify a craft local. Or they may

be set up during an organizing campaign as a temporary association of employees who will later be encouraged to join locals in their various crafts. The term is also used to describe an association of craft unions in what is known as a "central labor union."

Popular use of the term "labor union," it may be noted, applies that designation to all types of labor organizations.

The term "trade-union" is also widely used as a generic and inclusive term. Strictly speaking, a trade-union is a craft union, for a trade, according to the dictionary, is a craft. In specialized usage, the plural—trades-unions—are associations of craft unions. They are federations of craft unions established to attain mutually desired objectives. Such trades-unions include local organizations (generally known as "city centrals," "city federations," or local "trades and labor assemblies"), state or district "federations," and national or international "federations." All large cities and all states in the United States have these federations, and the AFL is a national organization of this type.

A parallel type of association, made up of local industrial unions, is the district or state *industrial council.* Such associations have become numerous and prominent since the CIO was organized.

In addition to these five types of unions, distinction is frequently made between *vertical* and *horizontal* unions. In this usage, a vertical union seeks to enlist in its membership all those who are engaged in the processing of a raw material, from the time of its extraction until it is made available to consumers. Such a union is the United Brotherhood of Carpenters and Joiners, which includes those who process wood in any form to be used for any purpose except wooden barrels or paper. That union includes employees in logging, sawmills, and millwork, as well as those engaged in construction.

In contrast, *horizontal* unionism includes employees in one or a single group of processes, as in automobile manufacturing or steel making. It may be noted that popular usage frequently confuses these terms, seeking to make *horizontal* unionism synonymous with trade-unionism and *vertical* unionism the same as industrial unionism.

2.32 *Classification by purpose and funotion.* Classified according to their purposes, labor organizations, like other mass movements, fall into two major categories. They may be either reformist or revolutionary. Those that are reformist aim at modification of social, economic, or political structures in accord with what their members consider to be current mores or accepted goals of society. On the other hand, revolutionary movements seek destruction of the present order and substitution of a new one fashioned according to ideals that are regarded as preferable.

Most American labor organizations are reformist in their objectives.

They seek no comprehensive change. They do not wish to destroy existing social, economic, or political structures. They desire only to modify certain characteristics of one or another of these major institutions. Specifically, they aim at the preservation of private enterprise and capitalism and maintenance of usual employer-employee relationship. At the same time, they seek certain fairly definite modifications. They generally wish to increase labor's share of income, and they may aim to improve working conditions by a variety of modifications. They may hope to make the purchasing power of wages greater by enlisting employees in various cooperative ventures, insurance associations, and educational programs. They generally seek to dignify labor by forcing upon the public and its leaders a recognition of the importance of labor in modern society. All these objectives, they believe, can be attained without extensive change in present social, economic, and political institutions.

In the United States, unions that are affiliated with the AFL and the CIO are predominantly of this reformist type. So, also, are the railroad brotherhoods and a number of other smaller labor organizations. Most of the labor organizations that have preceded contemporary structures in the United States, including the Knights of Labor, have also been reformist rather than revolutionary in nature.

Labor organizations of the revolutionary type, like other revolutionary mass movements, aim at replacing present social, political, and economic systems and structures with new and different institutions. They propose comprehensive revision of the existing social order. They ridicule reformist programs that counsel compromise with the *status quo*. Revolutionary labor unionism generally seeks to destroy capitalistic industry, to abolish the free or competitive wage system and private property, to put an end to societies based primarily upon competition and individual rights, and to substitute some other system. It is extremely class conscious.

In the United States, the most commonly cited example of revolutionary unionism is the Industrial Workers of the World, although the Western Federation of Miners was another important radical association. One of the most powerful of revolutionary groups in the present century was the Trade Union Unity League. It was affiliated with the Red International of Labor Unions and included in its membership employees in mining, steel, automobile manufacturing, needle trades, building, textiles, and food products. It was disbanded in 1935, when leaders decided that a more effective attack could be made by joining and seeking to attain control of larger reformist unions. That has since become the accepted pattern for revolutionary unionism. As a result, a number of the most influential unions in this country have allowed revolutionists to occupy key positions.

Best-known classification of unions based on their purposes is that provided by Professor R. F. Hoxie.[1] He describes four rather than two principal functional types. They are not "pure" types; many unions have elements of two or more types in them.

Hoxie describes *revolutionary* unionism in terms comparable to those used in preceding paragraphs. He noted two principal subtypes in the period in which he wrote. One of them, *socialistic* unionism, sought to institute a system of state socialism by political action. The other, *quasi-anarchistic* unionism, proposed government by industrial associations and sought to employ direct action and violence to this end. The IWW provided an excellent example of this latter type.

Most prominent among the four types, according to Hoxie, is *business* unionism. It is that form of association in which objectives center about successful business relationships with employers. Business unions are those that are maintained primarily to represent employees in collective bargaining with their employers. Business unionism, being reformist, accepts the present economic system. The reforms it suggests are those that it feels will be of economic advantage to its members, including particularly increased wages and improved working conditions. Like most other reformist organizations, it proposes to use peaceful means to attain these ends and to depend primarily upon collective bargaining for this purpose.

Whereas *business* unionism is primarily interested in economic conditions affecting employees, *uplift* unionism emphasizes the spread of cultural and intellectual values among wage earners. It stresses their need for the "fuller" life and proposes improved education, health services, better homes and communities. Uplift unionism frequently urges the possible advantages of legislative action. In the past, several unions in this country have emphasized uplift objectives and programs. Early in the nineteenth century, many local unions campaigned for free schools, tax provisions that would tend to reduce inequalities in incomes, and more extensive public services available to all citizens. The most conspicuous illustration of uplift unionism is probably to be found in the program of the Knights of Labor, an organization which will shortly be described in more detail. More recently, needle trades unions have been outstanding in their efforts to improve both living and working conditions for their members. Similarly, much of the support for the Political Action Committee of the CIO has reflected reformist viewpoints that seek to mobilize public resources to provide added educational, health, and other community services for wage earners.

A fourth major type of labor organization is that described as *predatory*

[1] In his *Trade Unionism in the United States*, New York, Appleton-Century-Crofts, Inc., 1928, pp. 53–77.

unionism. This division, also, has two subtypes, *holdup* unionism and *guerilla* unionism. Both would be described today under the general term "labor racketeering." Holdup unionism tries to appear as business unionism but actually represents a combination of unions with unscrupulous employers to exact tribute from the public. It most frequently characterizes labor organizations that have lost whatever democratic basis they may have had and have come under the control of bosses. Several examples of this type of arrangement were discovered in the 1937 Dewey investigations of racketeering in New York.[1]

Guerilla unionism differs from the holdup type primarily in the fact that it does not involve cooperation with employers. It aims to exploit whenever and whomever it can. It is generally boss-ridden. It flourishes in larger cities rather than smaller centers. Its leaders are unscrupulous and may use violence in their programs of exploitation. It is this type of unionism that most commonly resorts to terrorism in its efforts to enforce demands. Needless to say, it is deplored by honest labor leaders.[2]

In addition to these functional types of unions, Hoxie describes what he calls *dependent* unionism, in which class he includes organizations of employees that are supported and dominated by their employers. They are not affiliated with labor organizations outside the concern that maintains them. They are "company unions" and were most numerous during the National Industrial Recovery Program in 1933–1934. Most of them disappeared after passage of the National Labor Relations Act in 1935.

2.4 *Employers' Associations.* Collective bargaining is by no means confined to the action of individual employers and the unions with which they deal. Employers also may join forces, forming associations whose purpose is to represent individual employers in dealing with unions or groups of unions. In certain foreign nations, notably England and Sweden, most collective bargaining is carried on by such associations. In the United States, approximately four million employees are employed under the terms of agreements developed by collective bargaining with employers' associations. "Master contracts" for local industries have become increasingly common. The National Association of Manufacturers is to some extent a combination of such associations. Many of

[1] See also Louis Adamic, "Racketeers and Organized Labor," *Harpers Magazine*, September, 1930, pp. 404–416; Edward D. Sullivan, *This Labor Union Racket*, New York, Hillman-Curl, Inc., 1936; and Walter Chambers, *Labor Unions and the Public*, New York, Coward-McCann, Inc., 1936.

[2] In 1940, for example, the convention of the AFL unanimously adopted a resolution designed to give the Federation power to exert an influence over member unions in which racketeering appeared. See *Proceedings of the Sixtieth Annual Convention*, 1940, pp. 504–506.

the more than 2,000 existing trade associations are active in assisting members in negotiations. The NAM maintains National Industrial Councils with which some 150 local employers' associations are affiliated. In many localities there are one or more local employers' associations that play an active part in collective bargaining.

Professor C. E. Bonnett has distinguished three principal types of employers' associations.[1] They include (1) "negotiatory" associations, (2) "belligerent" associations, and (3) "mediatory" associations. The first is made up of organizations which have as their major purpose the negotiation of trade agreements with organized employees. They are sometimes described as "bargaining" associations. Associations collect data with reference to labor markets, wage rates in other industries and localities, general business conditions, and other conditions pertinent to current and prospective negotiations. They study current laws, regulations, and arbitrators' decisions. They may engage in negotiations, advise and aid members, and handle cases in arbitration.

The second type of organization, that described as "belligerent," is mainly of historical interest. Many of the major activities of belligerent associations are now illegal. In earlier years, however, such organizations sought to destroy unions, to restrict their activities and influence, and to prevent their organizing programs. Such associations regarded collective agreements as concessions; they frequently considered all labor organization undesirable and advocated the "open shop," by which they frequently meant the closed antiunion shop. Among the most frequently mentioned early belligerent associations were the National Metal Trades Association and the National Founders' Association.

The third type of employers' association is that described as "mediatory." As described by Professor Bonnett, mediatory associations aim to establish, by all possible means, amicable relationships between employers and unions. They also claim to guard and advance the interests of the public as an interested third party. Many unions have refused to recognize the possible existence of this type, on what appears to be sound logic, holding that an employers' association could scarcely be impartial. The example usually cited as illustrating mediatory associations is the National Civic Federation. Organized in 1901 to reduce industrial strife and bring leaders of employers and of labor together about the conference table, the organization was not, however, an employers' association in the same sense in which the term describes belligerent and negotiatory associations. It included in its membership

[1] Clarence E. Bonnett, *Employers' Associations in the United States*, New York, The Macmillan Company, 1922, p. 13; see also his "Employers' Associations," *Encyclopedia of the Social Sciences*, Vol. 5, pp. 509–512; also M. W. Alexander, "Employers' Associations in the United States," *International Labour Review*, Vol. 25, No. 5, May, 1932, pp. 605–620.

representatives of employers, of organized labor, and of the public. Organized labor frequently charged that the primary purpose of the association was the subtle alienation of union leaders from their organizations. The National Planning Association is in some respects similar to this earlier organization.

2.41 *Administrative associations.* Kerr and Fisher have noted a further differentiation in employers' associations on the west coast. Negotiatory associations include both those that simply negotiate contracts with unions and those that not only negotiate but also administer these collective agreements. The former remain outside the day-to-day industrial relations of the parties except for the period of negotiation. The latter, on the other hand, remain a party to the relationship. In such *administrative* associations, members apparently feel that each has a stake in the day-to-day decisions on grievances and contract interpretations and that their interests are best served if the association handles such matters. As a result, administrative associations maintain more extensive staff assistance. Their experts replace the industrial relations personnel of individual firms in so far as contract administration is concerned. This type of association appears to be assuming increasing importance throughout the country.[1]

3.0 Historic Development of Collective Bargaining

As has been noted, the first organizations of wage earners that are strictly comparable to modern labor organizations are those generally described as *yeomanry* or *journeymen* guilds. These combinations of independent artisans, formed largely as a result of their inability to force entrance into the ranks of master craftsmen in the era of handicraft production, represent the legitimate ancestors of modern labor unions. When guilds first appeared, they included in their membership both masters and employees. Such associations cannot reasonably be compared to organizations whose membership is restricted to employees and whose major purpose is collective dealing with employers. Journeymen guilds, however, were limited in their membership to independent laborers. Further, they proposed almost exactly the sort of dealing that modern labor organizations intend as their major function—the consummation of bargains with those who furnish employment.

3.1 *Early Labor Movements.* During the nineteenth century, there were many evidences of increasing interest in labor organization. Small organized movements frequently became militant and sought to attract

[1] For greater detail on the west coast procedure, see Clark Kerr and Lloyd Fisher, "Multiple-Employer Bargaining: The San Francisco Experience," in R. A. Lester and Joseph Shister, *Insights into Labor Issues*, New York, The Macmillan Company, 1948, pp. 41–48.

attention and support for the objectives they sought. In England, one of the earliest of these demonstrations was that staged by the Luddites. The movement began in the English midlands in 1811. A group of employees in weaving, hosiery, and lace industries sought to call attention to what they regarded as unreasonable wages and working conditions. Depression was widespread, in part reflecting the then new Non-intercourse Act passed by the United States. Employees resented the introduction of laborsaving machinery. Mob violence resulted in the destruction of factories and machines. In 1813, leaders of the movement were brought to trial, and fourteen were executed.

In 1832, enactment of a new poor law in England provided a rallying point for a large number of wage earners, whose efforts to secure reforms came to be described as the Chartist Movement. Led by Osler, Stephens, Lovett, and O'Connor, they sought universal suffrage, equalization in the political representation of working-class areas, the right to pay representatives in government, abolition of property requirements for voting, use of the secret ballot, annual meetings of Parliament, and related reforms in parliamentary procedure. Their demands made up the "charter," from which the movement took its name. Although a petition to secure these changes was supported by more than three million signatures, the movement did not hold the support of local unions throughout England. After 1842, it declined in prominence and disappeared by 1848.

The first consolidated action by unions in England took the form of what was called the Junta, beginning about 1850. Led by Applegarth and Allen, the movement sought many of the same political reforms advanced by the Chartists. When the Trade Union Act of 1871 gave unions the right to exist and to form combinations, interest in the Junta was transferred to the development of a national congress of labor organizations.

Much of the agitation for radical unionism sprung, of course, from the teachings of Karl Marx. Marxian theory stimulated organization of the series of organizing and propaganda centers known as the "Internationals." They sought to band together those who would thereafter move out and convert the industrial world to a new order, based on the Marxian interpretations of history and economic activity. The First International was known as the International Working Men's Association, formed in 1864 in London. It was largely dominated by Marx, although many dissidents favored differing interpretations. A second attempt at securing international cooperation toward revolutionary ends resulted in formation of the Second or Socialist International at Paris in 1899. The organization continued its work until revolution brought the communists into control in Russia. A Third and Communist International, dominated by the thinking of Trotsky, Lenin, and other Russian

leaders, was formed in Moscow in 1919. Trotsky was later exiled and sought to establish a fourth international, with headquarters in Mexico. The Third International was reported dissolved in 1943 as a means of encouraging cooperation among the allies in World War II. It was "revived," however, in 1947.

In France, meanwhile, a radical type of organization, generally described as syndicalism, appeared. Syndicalists sought to combine unionism with Marxian concepts of the classless society. They proposed a new economic order, built around a federation of autonomous *syndicates*—associations of employees who would own and operate productive facilities in various industries. To attain this objective, the most frequently proposed device was the general strike. Direct action and encouragement of class consciousness were approved techniques. Earliest expressions of the syndicalist program are generally traced to the discussions taking place in sessions of the First International from 1868 to 1872. Recognized philosopher of the movement was Georges Sorel. The movement spread to other Latin nations as well as in Germany and the Scandinavian countries and gained in power until World War I.[1]

3.2 *Labor Movements in the United States.* While these and other evidences of unrest and incipient mass movements were appearing in various foreign nations, there were somewhat similar developments in the United States. That movements in this country did not take the same form or involve objectives identical with those in older nations is presumably a reflection of differences in economic opportunity—attributable in part to the constant availability of free land—and of the somewhat more "radical" political philosophy of the new nation.

The history of labor organization in this country has been frequently described as involving several fairly distinct periods, including: (1) that of local craft unions (before 1827); (2) that of political and social agitation (1827–1850); (3) that of national organization (1850–1866); (4) that of amalgamation (1866–1886); and (5) that of federation (1886–1935).[2] To these must be added (6) a more recent stage, beginning in 1935, characterized most prominently by the expansion of industrial unionism.

3.21 *Local craft unions (before 1827).* Although a shoemakers' guild was chartered as early as 1648 in Massachusetts Bay Colony, and other organizations, including one formed by coopers, appeared at about the same time, craft guilds did not become so numerous or so firmly established in the American colonies as they had in older nations. On

[1] See Lewis L. Lorwin, "Syndicalism," *Encyclopedia of the Social Sciences*, Vol. XIV, pp. 496–499.

[2] See Mary R. Beard, *A Short History of the American Labor Movement*, New York, Harcourt, Brace and Company, Inc., 1920; see also R. F. Hoxie, *Trade Unionism in the United States*, New York, Appleton-Century-Crofts, Inc., 1917, pp. 82–87.

the other hand, various types of employee associations were instituted during the colonial period. Ship calkers formed a club early in the 1700's. Organizations of printers are reported to have appeared in 1776 in New York City. Philadelphia shoemakers had an effective association as early as 1792. It is generally said that the first American craft union was the Federal Society of Journeymen Cordwainers, which appeared in Philadelphia in 1794. An association of their employers, instituted in 1798 and known as the Society of Master Cordwainers of the City of Philadelphia, followed this combination of employees. Printers in New York were united in an association known as the Typographical Society of New York in 1794. In 1803, shipwrights in New York were organized; and in 1806, carpenters and sailors in that city formed an association.

The designation given to organizations of this period, "local craft unions," suggests the typical form of combination. Associations were usually based on craft lines and did not generally transcend the boundaries of local communities. They were essentially fraternal societies, with few of the policies or programs of business unionism.

3.22 *Political and social agitation (1827–1850).* After the first quarter of the nineteenth century, employees began to visualize possibilities in more widespread combination. In 1827, building tradesmen of Philadelphia combined in a strike for the 10-hour day and formed the first city central, known as the Mechanics' Union of Trade Associations. A year later, partly as a result of this first step, the Workingmen's Party was formed in the New England section of the nation. The organization included mechanics, other tradesmen, and farmers. It exerted a powerful influence in New England politics for several years.

Political interest and activity on the part of labor organizations is one of the distinctive characteristics of this second period. The common aims of associations participating in such political activities included abolition of imprisonment for debt, establishment of free schools, removal of the compulsory militia service requirement for all citizens, simplification of court procedure, regulation of monopolies and credit institutions, and taxation reform. Local associations of labor unions—city centrals—were formed. Boycotting and use of the union label were introduced. Attempts were made to establish national associations of unions in various trades. Beginnings of a national association of shoemakers appeared in 1833, while printers, comb makers, carpenters, and hand-loom weavers began similar national combinations in 1836 and 1837. Efforts at expansion and cooperation were sharply curtailed, however, by the panic of 1837.

During the remaining years before the midcentury, labor's attention was redirected, by the dire results of the panic and depression, toward the

possibility of advancing its interests by means of political activity. Various local organizations took up the causes of Brisbane and Greeley, American followers of French idealism, and advocated such political changes as immigration restriction, monetary reform, land reform, and monopoly regulation.

3.23 *National organization (1850–1866).* When prosperity returned, that condition, combined with improvements in communication and transportation, encouraged renewed attention to the possibilities of nation-wide organization. As membership once more showed signs of growth and funds accumulated in union treasuries, several unions perfected national associations. The typographers did so in 1850, as did stonecutters in 1853, hat finishers in 1854, and molders, machinists, and blacksmiths in 1857. At about that time, another depression occurred, reducing union membership and depleting union resources at the same time that extensive unemployment weakened the bargaining power of union members.

With the coming of the Civil War, demands for labor increased, business improved, and national organization proceeded rapidly. At least 32 nationals and internationals were in existence at the close of this period. Prominent among them were organizations of locomotive engineers (the Brotherhood of the Footboard), bricklayers and masons, carpenters and joiners, shoemakers (The Knights of St. Crispin), and cigar makers.

3.24 *Amalgamation (1866–1886).* There followed, probably as a result of forced cooperation of trades during the Civil War and the prosperity of wartime production, a period in which two major attempts were made to secure nation-wide organization of large numbers of wage earners. The first attempt, which characterized the period between the close of the war and the depression of 1873, was featured by the emergence of the National Labor Union. The second attempt began when the National Labor Union lost support in the early 1870's. This second nation-wide association was known as the Knights of Labor.

The National Labor Union followed a pattern that originated during the Civil War. Local cooperative associations, generally known as "city centrals" or "city federations of labor," had become general. At a meeting held in 1866 at Baltimore, a number of these central bodies were encouraged to form a national association, the promotion of which is generally ascribed to John Silvis, a leader in the iron molders' union. Advocates of the association were convinced of the necessity not only for nation-wide organization but also for cooperative ventures of various sorts. Local and international unions were urged to go into business. Several trades, including the iron molders, bakers, shipwrights, machinists, tailors, printers, needlewomen, and others, put these programs into

effect. Cooperative shops were established in numerous localities under the control of local central bodies, who were the real members of the National Labor Union. The latter further declared itself as favoring the general 8-hour day, reforms in legal regulations affecting tenement houses, reservation of public lands for settlers only, special "workers' education" programs, and restricted sale of convict-made goods.

The National Labor Union was short-lived, in part because commercial enterprises into which unions entered were generally unprofitable, with the result that the movement's leaders lost much of their popular prestige and support. At the same time, the organization became involved in politics. The fact that the union was built up about city centrals was unfortunate, for the latter were not primarily interested in national issues. The National Labor Union declined rapidly after 1869. By 1872 it had practically disappeared.

The second phase of this stage of attempted amalgamation had even more far-reaching effects. It was headlined by the organization of the Knights of Labor. The organization developed from a local union of garment cutters in Philadelphia. It was instituted under the leadership of a tailor named Uriah Stevens on Thanksgiving Day in 1869. The association remained local in scope until 1871, in which year several other trade organizations joined the movement. At this time, it was known as the Industrial Brotherhood. In the following year, it assumed the name by which it has since been generally known. The Knights of Labor attracted little attention until the depression of 1873 forced the dissolution of many national and international trade-unions and reduced membership in these older organizations. This destructive process was very rapid, so that by 1878 only eight of the more than thirty nationals and internationals that had existed in 1870 remained. Their membership declined to approximately one-fifth of what it had been in the peak period. Meanwhile, the Knights of Labor organization was expanding, having instituted several hundred local organizations in several states. These units were formally joined together in a powerful national organization in 1878.

Craft lines were ignored in the new association. Practically all who worked were welcomed into its folds. At times, saloonkeepers, bartenders, lawyers, doctors, and bankers were specifically excluded from membership, as were professional gamblers and stockbrokers, but in general all persons sixteen years of age or over who were working for wages or had ever done so were encouraged to join the movement.

The organization was highly centralized. Its ideal was the comprehensive mobilization of labor for the purpose of achieving objectives considered advantageous to employees. To that end, each unit of the organization was subject to direction from the division above it. Local

unions were subordinate to district bodies, and the latter were all directly responsible to a central supreme council. That council exercised final control over all policies.[1]

In spite of the seriousness with which it was regarded, membership of the Knights of Labor was never so large as to compare with present labor organizations. Although some estimates claimed a membership of 5,000,000, it appears likely that actual paid membership did not, at any time, exceed 700,000. That size was maintained for only a very short time. Membership reached a peak in 1887 and receded thereafter. By 1890, the organization is estimated to have included about 100,000 members. By the beginning of the present century, it was little more than a memory.

3.25 *Federation (after 1886).* The period which followed, from the inception of the American Federation of Labor in 1886, was typified by the growth of federation rather than amalgamation and an emphasis on business unionism with the subordination of all other types.

The period of federation is dominated by the institution and development of the American Federation of Labor, although it was also the period of organization and federation of the railroad brotherhoods. A beginning was made when the Federation of Organized Trades and Labor Unions of the United States and Canada emerged from a convention called in Pittsburgh in 1881. The founders of the original association attempted to adopt, for American trade-unions, the constitution of the British Trades Union Congress, which had been instituted in 1868. Reflections of this form of organization persist in the present national structure as well as in those of state federations of labor. The moving spirits in the original organization were two representatives of the Cigar Makers' International Union—Samuel Gompers and Adolph Strasser. In 1886, 25 craft organizations, through their leaders, effected its reorganization under its present name.

As the title implies, the federation is a brotherhood of independent craft organizations; the Federation brought together several of the oldest of these associations and has added numerous others in the long period

[1] The Knights of Labor made use of several devices involving mystery and secrecy. Its public statements were identified by a signature consisting of five asterisks. Its membership was somewhat secret. Meetings were opened with an impressive secret ritual. It received credit for much greater power than it probably possessed. The organization was widely feared by those who were outside its ranks. It is said that the association was discussed frequently and fearfully at several Cabinet meetings in Washington. Its constant threat to use the general strike caused alarm among industrial leaders, and the fact that it secured concessions from Jay Gould under threat of a strike on the Southwestern Railway in 1855 gave it increasing prestige among laboring classes. See Norman J. Ware, "Knights of Labor," *Encyclopedia of the Social Sciences*, 1st ed., Vol. XIV, p. 387; G. E. McNeill, *The Labor Movement: The Problem of Today*, Boston, A. M. Bridgman and Company, 1887.

of its growth. It imposes few restrictions upon affiliated bodies. It is a voluntary brotherhood which they join for the advantages it can give them, without relinquishing their individual prerogatives. It does not deal directly with their members, who are responsible to their national and international unions. It aims to advance only the causes upon which all or a large portion of its member associations agree. Its most important functions include the organization of new unions both directly and through assistance extended to member internationals, promotion of the union label, cooperation in sympathetic strikes, provision of political representation of the interests of its affiliated organizations and their members, and protection of the occupational jurisdictions or spheres of control of member unions.

For almost fifty years, the AFL was the undisputed representative of most American organized labor. While there were important unions and associations of unions that did not become affiliated with the Federation, they represented relatively small segments of the American labor movement. During this period, the Federation avoided partisan participation in politics, maintained the basic principle of voluntarism among the unions affiliated with it, and sought to extend its membership. Although the period as a whole saw the movement grow, there were periods of decline as well, as is indicated in Fig. 14.1.

3.26 *Industrial unionism.* The Federation suffered a serious reduction in membership in the years of the "prosperous" 1920's. Immediately after World War I, membership had reached a peak of more than 4,000,000. Thereafter, in spite of the prevailing prosperity, it fell to somewhat less than 3,000,000. When depression struck, after 1929, there were further reductions.

Within the Federation, many leaders believed that an important reason for this decline was the Federation's emphasis upon craft—as distinguished from industrial—unionism. They pointed to the fact that many craft unions were experiencing reductions in membership as a result of technological change. They suggested that this trend would probably continue, so that the foundation upon which the Federation had been built would continue to grow smaller. They feared that the Federation would thus become less powerful in the future.

Those who viewed these changes with alarm felt that the logical means of forestalling such a development was the organization of crosscutting, industrial unions in mass-production industries. Industrial unions would enroll all types of employees in such industries as steel, rubber, automobiles, cement, glass, and radio manufacturing. They would bring semiskilled and unskilled employees into the movement. They would thus broaden its base and, at the same time, raise the wages of the unskilled and reduce the effects of their competition with skilled craftsmen.

It is apparent from earlier pages that the idea of industrial unionism is not a new one. It had featured the Knights of Labor program and had been popularized by Eugene V. Debs, who undertook to bring all railroad employees together in the American Railway Union in 1893. But agitation for industrial unionism was renewed in the period following enactment of the National Industrial Recovery Act in 1933. That act outlawed many long-standing antiunion contracts. Opportunities for

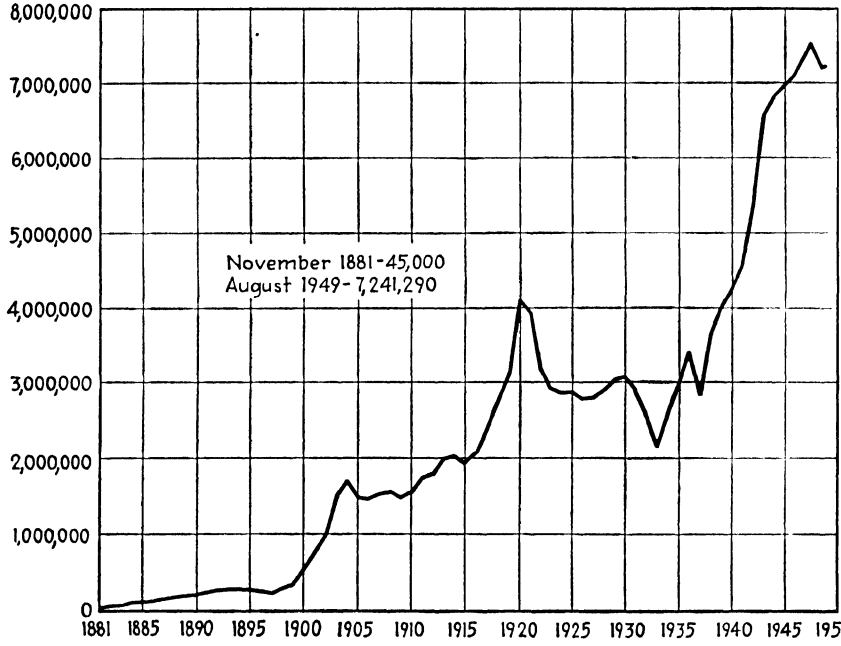

FIG. 14.1. Membership in the American Federation of Labor, 1881–1949. (*Reproduced by permission from Report of the Executive Council of the American Federation of Labor, Oct. 3, 1949, p. 11.*)

industrial unionism were both more apparent and more real. In the Federation's 1935 convention, a powerful minority insisted that the Federation seize the opportunity to expand in the mass-production industries.

Objection to the further expansion of industrial unionism came largely from craft unions that insisted all wage earners should be included in appropriate craft organizations. They argued that if wage earners in the automobile industry were to be organized, for example, they should join carpenters, electrical workers, machinists, and other craft unions rather than a new industrial union. Older members regarded industrial unionism with suspicion. They had seen it advanced by numerous radical groups which had come into direct conflict with the trade-union

structure. The older Knights of Labor, the IWW, the American Railway Union, and other less important rivals of the Federation had generally proposed widespread industrial unionism. Opponents of industrial unionism also feared that industrial unions would, if organized by or admitted to the Federation, soon exert greater control than craft organizations, because the possibilities of industrial membership were so extensive. They argued that such industrial organizations would introduce additional conflicts over jurisdictions. They cited earlier experiences to prove that the power of the craft unions would be dissipated in efforts to improve conditions for members of industrial unions.

The Federation sought to resolve this conflict by undertaking organization of semiskilled and unskilled employees in temporary federal labor unions. Various craft unions could then select appropriate members from these unions. Experience indicated, however, that when employees joined the federal labor unions, they were reluctant to leave them for craft organizations.

When a motion to admit permanent industrial unions to the Federation without regard to jurisdictional encroachments failed in the convention of 1935, eight internationals withdrew. Shortly thereafter, on Mar. 10, 1935, the Committee for Industrial Organization was formed to proceed with industrial organization along the lines rejected by the convention. The association included leaders of eight national unions, including coal miners, typographical workers, amalgamated clothing workers, ladies' garment workers, textile workers, oil-field and refinery workers, cap and millinery workers, and mine and smelter workers. It prosecuted an energetic campaign. As a result, national unions in flat glass, automobile, rubber, iron, steel, and tin industries and the American Newspaper Guild soon joined the new movement.

During early years, the new organization avoided any formal constitution and devoted itself to a militant organizational campaign financed largely by gifts and loans from older national unions that participated in its program. In a constitutional convention held at Pittsburgh on Nov. 14, 1938, however, a permanent structure known as the Congress of Industrial Organizations was established.

3.3 *Development of Employers' Associations.* Changes in employers' associations have, in many respects, paralleled the stages described in the development of labor organization. Like early unions, they have experienced periods of expansion and decline. Similarly, their interests and objectives have changed Unions appear to stress political activities and objectives in periods of business recession and to emphasize business unionism when times are good. Employers' associations reflect this cycle. In general, they tend to emphasize the same phases of industrial relations as the unions with which they negotiate.

Employers' associations exhibit many of the characteristics of earlier associations of master craftsmen. They may properly regard as their legitimate ancestors such associations as were formed to deal with journeymen guilds. Associations of master carpenters, cordwainers, tailors, and hatters appeared in this country before the beginning of the nineteenth century. Local associations of a relatively permanent character, however, began with formation of the Iron Founders' Association of Chicago in 1864. The first of the national associations to attain importance was the United States Potters' Association, formed in 1875. A second organization of national scope and permanent importance was the Stove Founders' National Defense Association, which began operations in 1886. Thereafter a number of national associations of great power and coverage appeared.

Professor Bonnett distinguished three periods in the development of modern associations from 1855 to 1917.[1] His description of these periods includes (1) that in which nation-wide associations began, approximately 1886–1891; (2) the period dominated by negotiatory associations, 1891–1902; and (3) the period of growth of belligerent associations, 1902–1917.

The third period and the years since World War I deserve special attention. From the turn of the century until the First World War, many of the former negotiating associations became belligerent. In the years following the turn of the century, depression appeared. Business entered a period of declining profits. Efforts of labor organizations to keep wages at established levels encouraged conflict. Individual employers as well as whole associations severed business relationships with unions. Some organizations of employers sought to convince private citizens throughout the nation, already frightened by the anthracite coal strike of 1902, that they had been subjected to exploitation by unions in the preceding period. The struggle thus precipitated continued until the war period again brought increased demands for goods, a scarcity of skilled labor, and general prosperity.

During this period numerous new associations were established. The American Anti-boycott Association, one of the most effective of national belligerent organizations, was organized in 1902. The Citizens' Industrial Association, representing an attempt on the part of employers to develop popular feeling against labor unions, was organized on a nation-wide basis in 1903 by the National Association of Manufacturers. It created numerous local citizens' alliances. In 1907, the National Association of Manufacturers organized the National Council for Industrial Defense, a sort of legislative representative for local alliances. Its

[1] In his *Employers' Associations in the United States*, New York, The Macmillan Company, 1922, pp. 21*ff*.

major purpose was to secure legislation limiting activities of labor organizations. Although there was a temporary and enforced reemphasis upon negotiation during the period of World War I, efforts to restrict labor organization were renewed when labor organizations were granted increased freedom by the National Industrial Recovery Act of 1933. Employers' associations became active in efforts to establish company unions and to secure favorable court decisions limiting the freedom granted by the new legislation. When the National Labor Relations Act was passed in 1935, many of the practices of belligerent associations were made illegal. Since that time, associations have been restricted to *negotiatory functions.*[1]

3.31 *Earlier practices.* A brief outline of some of the practices of earlier associations may be appropriate, not as a description of current activity, but as a background that explains much union reaction to legislation such as the National Labor Relations Act, the later Labor-Management Relations Act of 1947, and state legislation on related subjects. Early belligerent associations originated and maintained extensive propaganda and publicity campaigns against union labor. They publicized and emphasized racketeering aspects of unionism and alleged relationships of unions to revolutionary movements. They offered jobs to influential labor leaders for the purpose of drawing them out of labor organizations. They maintained "black lists" of employees suspected of seeking to establish unions.

Some belligerent associations provided spies to be used in discovering union membership or reporting upon activities of unionists and fomenting discord within their ranks. The National Labor Relations Board reported, in 1936, that 40,000 to 50,000 spies were then active in American industry, and about 200 agencies were engaged in providing such operatives.[2]

Some employers' associations sought to institute various types of paternalistic programs, including employee representation plans designed to take the place of unions. Associations frequently accumulated defense funds, or "war chests," much as labor organizations set aside strike benefits. These funds were expended for publicity, for providing guards or strikebreakers, for transporting goods elsewhere to be made up in other plants, for restitution when plants and equipment were damaged, and for various other purposes. Associations frequently made arrange-

[1] See "Employers' Associations in the United States," *International Labour Review*, Vol. 8, September, 1928, pp. 367–379.

[2] See "Governmental Protection of Labor's Right to Organize," Washington, National Labor Relations Board, Division of Economic Research, *Bulletin* 1, 1936; "Violations of Free Speech and Assembly and Interferences with the Rights of Labor," *Hearings on Senate Resolution* 266, Washington, Government Printing Office, April, 1936; Pearl L. Bergoff, *I Break Strikes*, New York, Robert M. McBride & Company, 1936.

ments for filling orders and maintaining favorable business relationships with distributors during labor disputes, by arranging to have goods processed in other plants. They sought to secure the cooperation of newspapers in making it appear that unions were unreasonable, that they were using unfair tactics, that many employees had joined "back to work" movements, or that labor's demands were unreasonable. They tried to enlist local bankers, whose control over financial considerations of importance to individual employees or to unions might be of assistance in forcing concessions.[1]

Associations frequently provided strikebreakers, who were generally migrants, without civic or family responsibilities. Their readiness to fight was one explanation of the violence and disorder that often featured these struggles. Strikebreakers frequently recognized the fact that their jobs depended upon prolonging conflict. When a member firm became involved in a strike, an association frequently took over entire control of the situation. It was not restrained by considerations of local civic responsibility and could, therefore, wage a more ruthless campaign. Many of the most violent struggles of labor history are attributable to such arbitrary action of associations.

3.32 *Political activity.* Like labor organizations, employers' associations frequently discovered that political power is an important factor in the struggle for economic power. They sought to maintain friendly relationships with police and other peace officers. State police and militia were frequently used in breaking strikes. Associations gave no less attention to the courts. In every possible manner, effort was made to secure injunctions and decisions that created precedents which could be used to interfere with the offensive program of organized labor. Efforts at control of political machinery and its use in the industrial struggle were not confined to executive and judicial branches of government but included legislative divisions, also. Employers' associations recognized the value of lobbying. Many of them provided services similar to those performed by labor lobbies in reporting back to members upon legislative actions of individual legislators.

Most of these activities of employers' associations have been described in the past tense. Such associations may still maintain lobbies. They can and do seek to assist their members in securing concessions from the unions with which they deal. But enactment of the National Labor Relations Act in 1935, the Byrnes Act (which prohibits importation of strikebreakers across state lines) in 1936, and of state laws licensing private detective agencies has outlawed many of the practices of earlier belligerent associations. Possibly more important, the widespread

[1] For a discussion of these tactics, see Forrest R. Black, National Industrial Conference Board, *Prize Essays, 1919–1920; Special Report* 10, pp. 30–32.

acceptance of a public policy favorable to collective bargaining has created an atmosphere in which few of these practices would be tolerated. They are important, however, in the memories of many labor and industrial leaders. They explain many current suspicions and conflicts.

QUESTIONS AND EXERCISES

(Questions and Exercises for this chapter are combined with those for Chapter 15 which follows.)

Chapter 15

Collective Bargaining in Labor Markets (*Continued*)

4.0 Union Membership

Total membership in American labor unions for the fifty-year period from 1897 through 1947 is summarized in Table 15.1 and illustrated by Fig. 15.1. In the table, membership is classified to show the relative numerical strength of AFL, CIO, and independent unions. It may be noted that unionists numbered more than one million in the first year of the century. Peaks of membership in 1903 and in 1920 are notable, as is the decline during the 1920's and early 1930's.

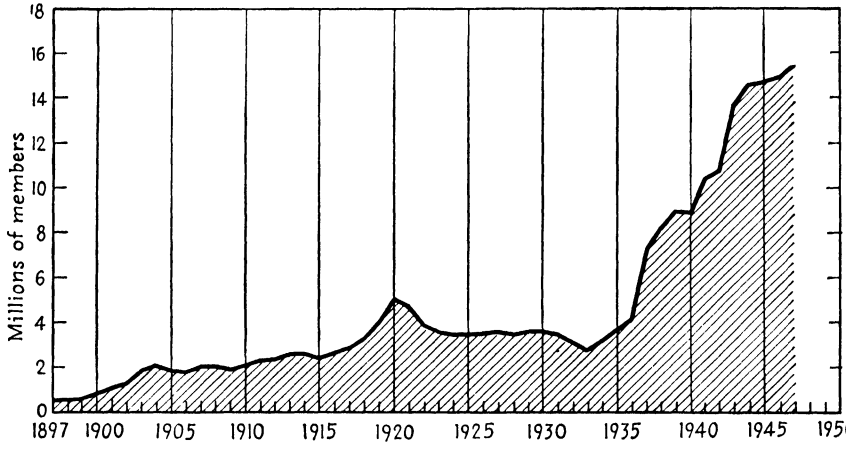

Fig. 15.1. Membership in labor organizations, United States, 1897–1947. (*From "Directory of Labor Unions in the United States," Bulletin 937, Washington, Bureau of Labor Statistics, June,* 1948, *p.* iv.)

Examination of the long-term experience of American unions indicates that their origin and expansion are closely related to economic and political conditions. They are sensitive, it appears, to swings in the business cycle, for union expansion is difficult in periods of business recession. Indeed, when earnings are declining and unemployment is extensive, organizations have difficulty in holding their membership. Some evidence suggests, also, that organization is more difficult in monopolistic industries and in those with relatively low proportions of labor costs.

TABLE 15.1. UNION MEMBERSHIP, 1897–1949[1]
(In thousands)

Year	AFL	CIO	Independent or unaffiliated	Total
1897	265		175	440
1898	278		189	467
1899	349		201	550
1900	548		243	791
1901	788		270	1,058
1902	1,024		311	1,335
1903	1,466		358	2,824
1904	1,676		391	2,067
1905	1,494		424	1,918
1906	1,454		438	1,892
1907	1,539		538	2,077
1908	1,587		505	2,092
1909	1,483		482	1,965
1910	1,562		554	2,116
1911	1,762		556	2,318
1912	1,770		635	2,405
1913	1,996		665	2,661
1914	2,021		626	2,647
1915	1,946		614	2,560
1916	2,073		549	2,722
1917	2,371		605	2,976
1918	2,726		642	3,368
1919	3,260		786	4,046
1920	4,079		955	5,034
1921	3,907		815	4,722
1922	3,196		754	3,950
1923	2,926		703	3,629
1924	2,866		683	3,549
1925	2,877		689	3,566
1926	2,804		788	3,592
1927	2,813		787	3,600
1928	2,896		671	3,567
1929	2,934		691	3,625
1930	2,961		671	3,632
1931	2,890		636	3,526
1932	2,532		694	3,226
1933	2,127		730	2,857
1934	2,608		641	3,249
1935	3,045		683	3,728
1936	3,422		742	4,164
1937	2,861	3,718	639	7,218
1938	3,623	4,038	604	8,265
1939	4,006	4,000	974	8,980
1940	4,247	3,625	1,072	8,944
1941	4,569	5,000	920	10,489
1942	5,483	4,194	1,084	10,762
1943	6,564	5,285	1,793	13,642
1944	6,807	5,935	1,879	14,621
1945	6,931	6,000	1,865	14,796
1946	7,152	6,000	1,822	14,974
1947	7,200	6,000	2,400	15,600
1948	7,200	6,000	2,500	15,700

[1] Adapted from "Brief History of the American Labor Movement," by John M. Brum and Nelson M. Bortz, *Release W. 558*, Bureau of Labor Statistics, October, 1947, and later BLS and National Industrial Conference Board reports.

Competitive firms, particularly if labor costs are proportionately high, may find unions exert an influence toward cost uniformity and stabilization that managements favor. Under monopolistic conditions, on the other hand, employee organization represents a more direct means of encroaching on profits. The significance of political considerations is apparent in the rapid expansion of unionism after enactment of the Wagner or National Labor Relations Act of 1935. The favorable political atmosphere thus generated contrasts sharply with earlier attitudes on the part of government.

The 1948 *Directory of Labor Unions* published by the Federal Bureau of Labor Statistics lists 197 national and international unions with a total membership of more than 15,000,000. Of these unions, 105 are affiliated with the AFL, 37 with the CIO, and 55 are independent.

4.1 *Competition among Unions.* Among other distinctive characteristics of the labor movement in the United States, none is more notable than the division among the AFL, the CIO, and independents. While Canada's unions are also divided in their affiliations in a similarly impressive pattern, most older industrialized nations show greater concentration and closer combination of unions within a central association. In the United States, the two major federations—AFL and CIO—include some 85 per cent of all unionists. Within this group, however, the two associations have maintained a sharp division. They have frequently competed for affiliation of large internationals. In spite of numerous peace and unity "feelers" and suggestions, they have found no satisfactory basis for combination.

In spite of talks of union and combination, strong forces tend to keep the two apart. Some philosophical members argue that the competition is good for the labor movement as a whole, that each federation is forced to be alert and active to maintain its position, that the rivalry has stimulated both to a more militant program. Dual campaigns to organize southern wage earners are cited as illustrative of these benefits, as is the tremendous growth in membership that followed creation of the CIO in 1935.

In both AFL and CIO individual unions and their officers have vested interests that oppose reconciliation and integration. Jurisdictional lines would require extensive and painful revision in any synthesis of AFL and CIO. To a lesser extent, personal interests of officers also play a part in maintaining the division. For this reason, it is often argued that rank-and-file members are closer to unity than are the officials of both organizations. On the other hand, advocates of united political action emphasize the need for collaboration and have been the chief advocates of combination.

5.0 Structure and Government of the American Federation of Labor

The structure of the American Federation of Labor is graphically illustrated in Fig. 15.2. The position occupied by each of the major elements in the Federation may be better understood by frequent reference to that chart.

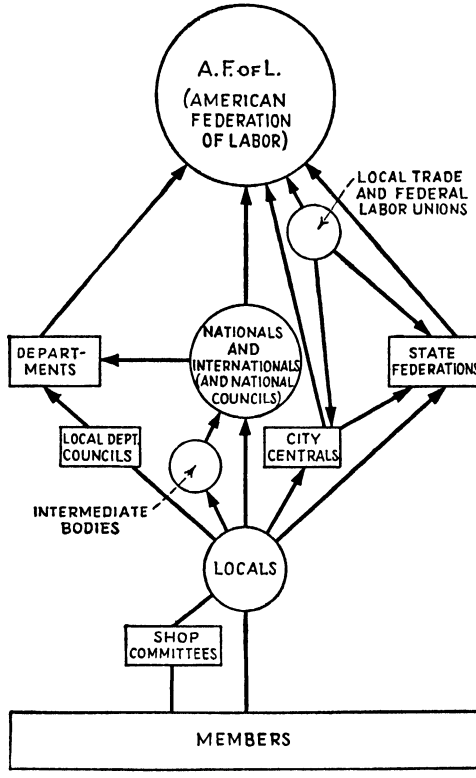

FIG. 15.2. The Structure of the American Federation of Labor. (*Reproduced by permission from Clyde E. Dankert, Contemporary Unionism, New York, Prentice-Hall, Inc.*, 1948, *p.* 58.)

5.1 *Nationals and Internationals.* The foundation of the Federation is provided by national and international unions. They are the most important members, for their voting power controls the policies of the whole Federation. They are the sovereign bodies that form and maintain the Federation. They charter local organizations and direct and control the latter. They have power to revoke as well as to issue local charters and exercise other disciplinary powers. They or their authorized agents alone may have the right to declare a strike.

Changing numbers of internationals affiliated with the parent Federa-

tion are shown in Fig. 15.3. The reduction occasioned by withdrawal of CIO unions in 1935 is apparent from the chart.

While many of these unions have a craft basis, few of them are *pure* craft unions. Many might well be described as *multi*craft or *amal-*

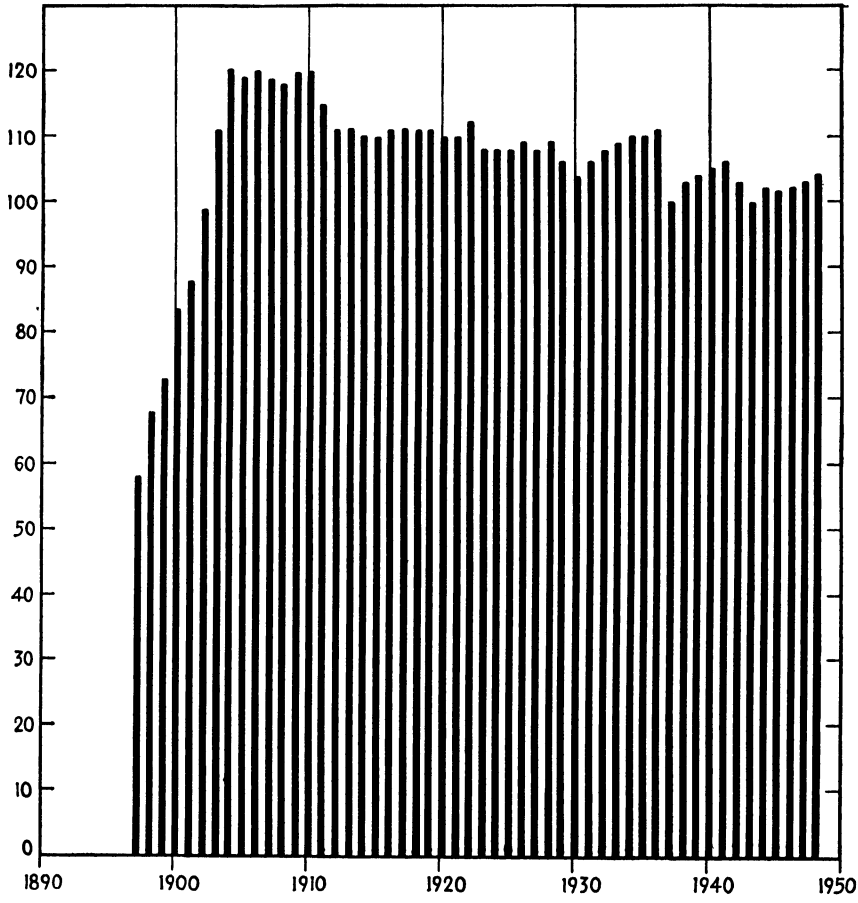

FIG. 15.3. Number of national and international unions affiliated with the AFL, 1897–1948. (*Recent data from Proceedings of annual conventions.*)

gamated, for they include two or more skilled or semiskilled groups. Such, for example, are the Brotherhood of Painters, Decorators, and Paperhangers and the Brotherhood of Carpenters and Joiners. Some of them are industrial unions. The largest international is the Brotherhood of Teamsters and Drivers, with a membership of more than one million. Second largest is the Carpenters international, with 750,000 members.[1]

[1] For an excellent brief summary of membership, property, fees, dues, presidents' salaries,

5.2 *Local Unions.* With only one or two exceptions, the basic unit in the international is the local union.[1] Thus, for example, the teamsters included 915 locals in 1948, and the carpenters 3,000. Locals are chartered by the internationals. Locals maintain offices, employ business agents, elect officers, and hold regular meetings. Within these locals, divisions may represent various employers, but there are seldom formal subdivisions. Within individual plants or shops, members may elect "shop committees" to deal on a day-to-day basis with foremen and other representatives of management.[2]

5.3 *Local Trade and Federal Labor Unions.* In the AFL structure, a group of local trade-unions and federal labor unions is directly affiliated with the Federation. They are not members of any international. In 1948, there were some 1,300 of these directly chartered groups. The Federation has issued more than 100 charters to such organizations annually. While there are two fairly distinct types of unions involved, they are all frequently described as "federal labor unions." Strictly speaking, *local trade-unions* are composed of members of a craft for which there is no international. In a sense, they are incipient internationals, for if enough such local trade-unions are organized, they may unite to form a national or international organization.

Federal labor unions are composed of members in different crafts or occupations. They are established when there are not enough of any one craft to form a trade local or as a temporary unit resulting from an organizing campaign. In any case, they may be regarded as temporary, on the theory that their members will later join various internationals. Unions of this type were established by the AFL in its program designed to meet the need for industrial unionism in 1934 and 1935. A few of these local labor unions have existed for as long as fifty years.

These local trade and labor unions are chartered directly by the Federation. They pay dues to the Federation, which maintains a defense and benefit fund for them. One-fourth of their initiation fees

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and other details of the internationals, both AFL and CIO, see "Top U.S. Labor Unions," *Life*, Vol. 24, May 31, 1948, pp. 80–81.

[1] The Associated Actors and Artists of America, for example, has no locals. All members are "general" members. Sheep shearers, roofers, and some others have individual memberships in the national or international union.

[2] Phillip Taft has provided information as to the salaries paid by local unions to their full-time officers. In his "Understanding Union Administration" (*Harvard Business Review*, Vol. XXIV, No. 2, Winter, 1946, p. 254), he indicates that the most common practice is to pay the highest regular rate in the trade. The most common annual salary at that time was $3,900. In another report, "Dues and Initiation Fees in Labor Unions" (*Quarterly Journal of Economics*, Vol. 60, No. 1, February, 1946, pp. 219–232), he found that the most common level of monthly dues in 250 AFL locals was $2 per month. The most common initiation fee was $50.

and a stipulated amount of monthly dues for each member (recently 37 cents) must be remitted to the AFL. The executive council of the Federation represents them in conventions and exercises complete authority over them, much as an international would if they were members of such an organization.

5.4 *National Councils.* Councils are created by the Executive Committee when enough local trade-unions in one "trade, calling, or industry" have been organized so that a new international is justified. The council is essentially an organizing committee, working under direction of the Federation.

5.5 *City Centrals.* The city central labor union or city federation is an association of local unions within a city or locality. It may be called a trades and labor council or assembly. In many cases, these local federations are older than the AFL. They were, it may be recalled, the foundation of the National Labor Union, mentioned in an earlier section of this chapter. City centrals are chartered by the Federation. They are allowed one vote each in national conventions of the Federation.

City centrals may exert a powerful influence in their communities. They represent their member unions, lobby for them, examine and endorse candidates for public office, and otherwise speak for AFL unions in the locality. Many of them conduct "workers' education" programs, assist locals in negotiations, settle disputes, promote union-label campaigns, and provide an open forum for debate and discussion. The city central is limited in its membership by the Federation's requirement that only unions affiliated with the Federation may be members. Each such local union is entitled to a number of delegates proportioned to the number of union members. Less than half the eligible locals belong to city centrals, however. Many internationals leave the matter of membership entirely to their locals. Local trade- and labor unions, chartered directly by the AFL, may be members of the city central.

5.6 *State Federations.* State federations of labor operate in all states. Their members are the same local unions that are also eligible for membership in city centrals. State federations, like city centrals, are chartered by the AFL. Local unions of AFL internationals and affiliated local trade and labor unions may join the state federation or not, as they or their internationals prefer. Only AFL unions may become members. City centrals and state-wide organizations within the various AFL internationals may also hold membership in state federations. Voting power, however, is centered in the locals of internationals.

State federations hold annual conventions; they represent their members before state legislatures; they provide members with advice and information on proposed legislation and on candidates for public office;

they assist member unions in organizing activities; they guard labor's interests in the administration of social security, workmen's compensation, and other similar legislation. Several of them have been active in promoting "workers' education" programs.

5.7 *Departments and Local Councils.* The departments in the AFL were established following action by the annual convention in 1907. There are presently five of them, including the Building and Construction Trades Department (established in 1908), the Metal Trades Department (1908), the Railway Employees Department (1909), the Union Label Trades Department (1909), and the Maritime Trades Department (1946). Each department has as its members the internationals most directly involved, although membership is voluntary. Departments hold an annual convention and are administered by a president and executive council. Some departments maintain regional or local building trades councils, metal trades councils, system federations on the railroads, and local union-label leagues.

The departments were created to unify and integrate the influence of organizations in their respective fields. Thus, in construction, a local council can marshall the power of the several unions in dealing with contractor-employers. They are expected to strengthen the position of their member unions also by settling internal disputes, particularly those arising out of jurisdictional conflicts. In the building trades, this function has been especially important. Their activities have sometimes been cited as meeting the need for industrial unionism at the same time that they preserve the solidarity of the various crafts.[1]

5.8 *Government of the Federation.* The government of the Federation includes executive and legislative branches. The latter consists of an annual convention, generally held in October or November of each year, which is the final authority in the Federation. In it, delegates represent each of the affiliated bodies. Internationals are allowed one delegate for each 4,000 members or major fraction thereof, as shown by their payments of a per capita tax to the Federation. International delegates cast one vote for each 100 members. State federations, city centrals, local trade and labor unions, and fraternal bodies (British Trade Union Congress, Canadian Trades and Labor Congress, and others) are allowed one delegate and one vote each. The convention has the constitutional authority to permit, refuse, or discharge affiliation. This is the major power, aside from that of public opinion, that the Federation exercises over its members. If the latter fail to abide by their agreements or in any other manner offend members of the Federation, the convention,

[1] A Government Employees' Council established by the Federation in 1945 has functioned somewhat like an additional department. See also Gilbert T. Heblind, *The Departments of the American Federation of Labor*, Baltimore, Johns Hopkins Press, 1931.

by a two-thirds majority roll-call vote, may expel offending unions from the Federation. No force can be used, on the other hand, to keep them within the organization. They are voluntary participants, and their right to secede is unquestioned by the Federation.

The executive branch of the Federation consists of a president, a secretary-treasurer, and 13 "vice-presidents," elected at the annual conventions.[1] Together, they constitute the executive council, a body that meets four times each year and carries on the business of the Federation in periods between annual conventions. Council members receive no salary from the Federation, but the president receives $20,000, and the secretary-treasurer $18,000. Headquarters of the Federation are in Washington, D.C., where it has its own building and permanent central offices. A staff of organizers, investigators, research workers, and others operates under direction of the executive council.[2]

The Federation publishes the *American Federationist* (monthly), *Labor's Monthly Survey*, and a weekly news service to the labor press throughout the nation, at the same time that it sends out numerous special reports, research studies, notes to speakers, and other printed matter calculated to assist in advancing labor's interests in all parts of the country.

Funds with which all activities of the Federation are carried on are derived from three sources: (1) a per capita tax paid by national and international affiliated organizations, amounting to 3 cents per month per member; (2) dues charged federal trade- and labor unions amounting to 37 cents per month per member, together with certain initiation and reinstatement fees; and (3) dues from city centrals and state federations amounting to $10 per year for each such association. In addition, the annual convention may levy special assessments on members of constituent unions for special purposes.

[1] The term is one year, but there has been little turnover on the council. At the 1947 convention, the title of "vice-president" was eliminated. Vice-presidents were designated "ordinary members" of the executive council, so that they need not sign anticommunist affidavits as officers of the Federation under provisions of the Labor-Management Act of 1947.

[2] Because basic power and authority in the Federation rest in the member internationals, their leadership takes on special significance. C. Wright Mills has studied union leaders and reported on their backgrounds and education. In the AFL, he found that 62 per cent of the leaders came from laboring families, whereas 17 per cent were from farm families, 10 per cent from business, and 2 per cent from professional families. In the case of CIO leaders, these percentages were 56, 16, 24, and 4, respectively. Of the AFL leaders, 16 per cent had attended college, 39 per cent high school, and 45 per cent grade school. Of CIO leaders, 32 per cent had attended college, 46 per cent high school, and 20 per cent grade school, and 2 per cent had no formal education. See his "A Who's What of Union Leadership," *Labor and Nation*, Vol. 1, No. 3, December, 1945, pp. 33–36.

6.0 Structure and Government of the Congress of Industrial Organizations

When the CIO was formed in 1935, these letters referred to the Committee for Industrial Organization. It was an organizing committee composed of representatives of the eight nationals and internationals that joined forces. The organizing program was financed largely by gifts from these older unions.

After three years, on Nov. 14, 1938, a convention was held in Pittsburgh, at which a constitution was adopted and a new, permanent organization, thereafter known as the Congress of Industrial Organizations, was established. Charter members of the Congress include 7 of the national unions that organized the Committee for Industrial Organization and 34 unions established after their campaign for industrial unionism was inaugurated. At the time of the constitutional convention, the Congress reported a total of 4,037,877 members representing 41 national and international unions and organizing committees and 675 directly chartered locals.

The structure of the Congress of Industrial Organizations is illustrated in Fig. 15.4. From that chart, it may be noted that there are many similarities to the structure of the Federation. There are also significant differences. Perhaps most notable is the fact that departments are shown in the figure as surrounded by a broken line and not connected with the remainder of the structure. The status of departments is not yet clearly defined. But CIO has sponsored a Committee for Maritime Unity that is much like an AFL department. Also, CIO has a Union Label Department.

6.1 *National and International Unions.* The Congress is essentially a federation of national and international unions like the AFL. Since the early organizational period, most of the organizing committees have become permanent unions, as is the case of the present United Packinghouse Workers, the United Steel Workers, and others. Several of the CIO internationals are very large. Both the United Steel Workers and the United Auto Workers have reported more than 900,000 members. Several others, including the United Clothing Workers and the United Textile Workers, have included as many as 350,000 members.

6.2 *Organizing Committees.* Mention has already been made of the manner in which organizing committees in various industries built the foundation for permanent nationals and internationals. Committees are now established and controlled by the Congress. Their member locals have the same voting privileges as those of permanent units in the CIO. Committees have declined in numbers since establishment of the Congress, but new ones may be created at any time.

6.3 *Local Unions.* Member nationals, internationals, and organizing committees have their foundation in local unions, as in the Federation. Locals in the CIO vary, however, in that they are predominantly industrial rather than craft unions. Their membership frequently includes a wide range of crafts as well as semiskilled and unskilled employees.

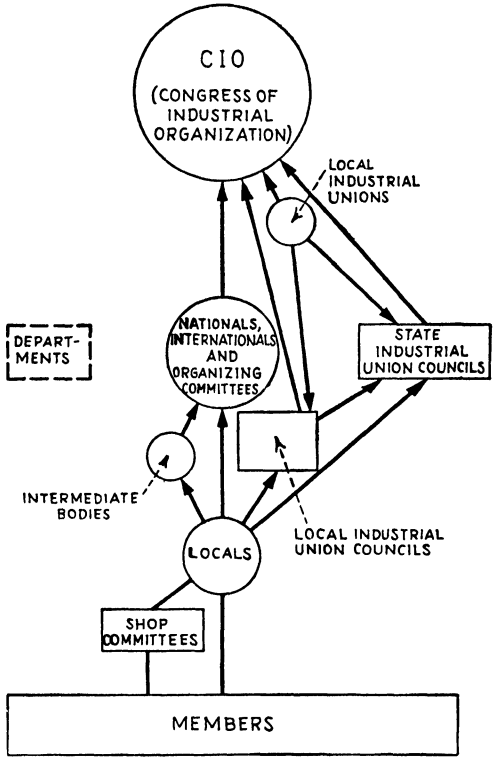

FIG. 15.4. Structure of the Congress of Industrial Organizations. (*Reproduced by permission from Clyde E. Dankert, Contemporary Unionism, New York, Prentice-Hall, Inc.*, 1948, *p.* 105.)

6.4 *Local Industrial Unions.* The Congress, when it was formed, reported some 125,000 members in directly affiliated local industrial unions. There were some 675 of these units. They have declined in number since that time, having become associated with one or another of the affiliated international unions. These local industrial unions correspond to the federal labor and local trade-unions in the AFL. Their membership is even more diverse; they may cross industry as well as craft lines. They are guided and assisted by the Congress through its organizational department, which provides services similar to those normally maintained by a national or international union.

6.5 *Local and State Councils.* Within the CIO and chartered by the parent organization, local and state councils represent a close counterpart to city centrals and state federations in the AFL. Membership of CIO unions is more concentrated geographically; as a result there are fewer state and local councils than city and state federations. But their function and relationship to local unions are much the same. State and local councils are authorized and controlled by the parent organization. While the Congress urges local unions to affiliate with the councils, there is no requirement that they do so. Many locals do not.

Both local and state councils may provide organizing assistance to local unions. Both sponsor educational programs. Probably more important, both are politically active, representing CIO unions in city and state government and lobbying for their members. They have been especially active in this area since organization of the CIO Political Action Committee. They interpret CIO to nonmembers, speak for CIO on current issues, and cooperate in a wide range of movements in which their members are interested, such as those designed to improve health, reduce racial strife, provide adequate housing, maintain community services and facilities, improve public education, and others.

6.6 *Government of the CIO.* Government is somewhat more centralized in the CIO than in the AFL. The Congress has a president, nine vice-presidents, and a secretary-treasurer.[1] The president exercises rather broad authority and is president also of the Executive Board, which is made up of the officers of the Congress plus one representative of each national, international, and organizing committee. Members of the Executive Board are nominated by their unions and, in proceedings of the Board, cast as many votes as there are members of their organizations. The Executive Board meets at least twice each year. Officers of the Congress meet much more frequently. Actions of the officers and of the Executive Board are subject to control by the annual convention, which is the basic policy-determining unit of the Congress.

In the convention, each national, international, and organizing committee is entitled to a number of delegates based on total membership but limited by a sliding scale that reduces the delegation from larger unions. In voting, however, delegates may cast as many votes as the membership they represent. In the convention, major policy decisions are debated and decided and the basic policy and program of the CIO are determined.

Activities of the Congress are financed principally by a per capita tax of 5 cents per month. In addition, members of local industrial unions

[1] The Congress has had two presidents, John L. Lewis (from 1938 to 1940) and Phillip Murray (after 1940). James C. Carey has been secretary-treasurer since the Congress was established.

pay 50 cents per month, and locals contribute one-half the initiation fees they collect. Local and state industrial union councils pay $25 per year.

7.0 Unaffiliated Unions

As may be noted from Table 15.1 describing total union membership in the United States, there have been almost two million unionists in independent or unaffiliated unions since early years of World War II. The number varies widely and frequently, as national and international unions join with or dissociate from parent organizations. For example, the United Mine Workers' approximately 400,000 members, originally in the AFL, left that organization to help in formation of the CIO, withdrew from the latter, rejoined the AFL, and then, in 1947, again became independent. Important elements of the American labor movement have found themselves among unaffiliated unions since earliest years of the AFL.

7.1 *Railroad Brotherhoods.* Among the numerically most important of the independents are the "Big Four" of railroad brotherhoods, which include (1) the Brotherhood of Locomotive Engineers, descendants of the earlier Knights of the Footboard, organized in 1865; (2) the Brotherhood of Locomotive Firemen and Enginemen (1873); (3) the Brotherhood of Railway Trainmen (1883), which includes conductors, baggagemen, brakemen, switchmen, and flagmen; and (4) the Order of Railway Conductors, organized in 1870. Many other railroad employees are not included in these groups. There are 14 railroad unions affiliated with the AFL, while three other strong associations are not included in the "Big Four."

Purposes of the "Big Four" unions are much the same as those of most of the nationals affiliated with the AFL or the CIO, although somewhat greater emphasis is placed on fraternal benefits. The brotherhoods cooperate with AFL and CIO in most legislative programs and in attempts to interpret the labor movement to the public. Their willingness to work beside unorganized employees is a distinctive characteristic, as is their opposition to the sympathetic strike. Their conservatism in these respects is probably at least partly explained by the absence of competition in their own trades. These unions enjoy a very broad coverage. The trainmen's organization includes more than 65 per cent of all employees in the field; that of engineers, 75 per cent; of firemen, 90 per cent; and of conductors, 90 per cent. Total membership numbers more than 500,000.

Members of the brotherhoods have long enjoyed a special status among employees in this country. In addition to their own extensive fraternal benefit provisions, they have been granted special privileges and added security in a long series of transportation laws extending back well into

last century. They have their own Railroad Employees Retirement Insurance Act (1937). Seniority rights were well established in railroading before they became common in other industries. A complicated system of rules further protects job rights and ensures maximum protection against economic insecurity.

Some fifteen railroad unions cooperate in publishing the weekly, *Labor.*

7.2 *Other Independent Unions.* The Confederated Unions of America was established in 1942, an association of independent locals in a wide range of skills and industries. It became strong during World War II, particularly because the organization championed the cause of independent unions in dealing with the national and regional war labor boards. By the close of the war, CUA represented about one million members. Many other smaller units, some of which have at one time or another been members of AFL and CIO, contribute to the total membership of unaffiliated unions.

7.3 *Radical Unions.* For the most part, as has been noted, unions in the United States have been reformist rather than revolutionary. Their members have not exhibited extensive class consciousness; their objectives have been those generally described as appropriate to "business" unionism.

Movements that are radical in nature have generally reflected and been related to similar movements originating in Europe. Several of these early movements have been described. Reflections of each of the so-called "internationals" are evident in comparable American movements.

7.31 *Industrial Workers of the World.* In the early years of the present century, the Western Federation of Miners took on many of the characteristics of the syndicalist movement in Europe. Then, in 1905, the IWW was formed to centralize leadership of syndicalists in this country. Members were unable to agree on a program, however, and in 1907 the Western Federation of Miners withdrew. In the following year the organization split, forming what came to be known as the Chicago and Detroit branches. The Detroit branch, the less radical of the two, soon ceased to be a significant factor in the national field of organized labor, although it had 20,000 members in 1914.

The philosophy of the IWW is distinctly revolutionary. Its basic assumptions and the conclusion to which they lead may be described as follows: (1) society as presently organized is intolerable to wage-earning classes; (2) wage earners and employers have no harmony of economic interests; (3) the wage system and individual ownership are intolerable; (4) employers have associations and effective control of legislatures and courts; (5) they practice a definite policy of repression; (6) there is but

one course open to wage earners—to form an organization of their own class. Through the power of that organization, they must take over, control, and operate all economic activities. In each industry, organizations of wage earners must become owners and managers. They must form "one big union," and practice "solidarity." In specific situations, violence and the "general strike" are necessary means to this end.

The IWW in the United States has never had an extensive membership nor invaded any large portion of the industrial field. It is generally estimated to have included 12,000 members in 1905, the year of its organization. Numerous estimates have since been made. It is said that membership cards issued to date have exceeded 1,220,000, but that figure has little meaning. At a convention held in 1946, 20,000 members were reported.[1]

7.32 *Trade Union Unity League.* Until 1935, the numerically most powerful revolutionary union in the United States was the Trade Union Unity League. It was organized as the Trade Union Educational League in 1920 by William Z. Foster. It sought to develop and maintain a campaign of propaganda, directed particularly at union members and designed to convert them to a communistic point of view. In 1929 it became the Trade Union Unity League. According to its constitution, the TUUL was to be a federation of national and local industrial unions, headed by an executive committee. Its permanent program may be summarized as follows. (1) It proposed class organization rather than craft organization. Its slogan was "class against class." (2) The ultimate aim of such organization was a communist society. (3) Meanwhile, it challenged the alleged soporific effects of existing trade organizations; hence, it opposed reformist labor organization and attempted to draw members away from such unions. (4) It declared opposition to imperialist war. (5) It demanded full equality for Negroes. (6) It sought shorter hours, specifically the 7-hour day and the 5-day week. (7) It advocated social insurance of all sorts. (8) It proposed world unity of wage earners within the Red International of Labor Unions.

Most important in its membership were the National Miners' Union, National Textile Workers, Needle Trades Workers' Industrial Union, the Marine Workers' Industrial Union, the Food Workers' Industrial Union, and the Steel and Metal Workers' Industrial Union. Members were largely unskilled and were employed in mass-production industries. Maximum membership was 125,000 in 1934.

[1] For more detailed analysis, see Paul Brissenden, *History of the I.W.W.*, New York, Columbia University Press, 1919, pp. 341*ff.*; "Industrial Workers of the World," *Encyclopedia of the Social Sciences*, 1st ed., Vol. VIII, pp. 13–18; Leo Wolman, *The Growth of American Trade Unions, 1881–1923*, New York, National Bureau of Economic Research, Inc., 1924, pp. 118–119; John S. Gambs, *The Decline of the I.W.W.*, New York, Columbia University Press, 1932, pp. 160–170.

The TUUL was formerly disbanded in 1935. Members were urged to join in the active organizational campaign then in progress and thus to seek converts in other unions. Their effectiveness would be greater, it was believed, by "boring from within." The practice of seeking to gain control of reformist unions has continued to this time. Many national and international unions have found that top offices and committee assignments have been held by communists. Attempts to "purge" these elements have been common in several of the largest labor organizations since World War II.

TABLE 15.2. GROWTH OF UNION MEMBERSHIP IN CANADA[1]

Year	Membership	Year	Membership
1911	133,132	1930	322,449
1912	160,120	1931	310,544
1913	175,799	1932	283,096
1914	166,163	1933	285,720
		1934	281,274
1915	143,343		
1916	160,407	1935	280,648
1917	204,630	1936	322,746
1918	248,887	1937	383,492
1919	378,047	1938	381,645
		1939	358,967
1920	373,842		
1921	313,320	1940	362,223
1922	276,621	1941	461,681
1923	278,092	1942	578,380
1924	260,643	1943	664,533
		1944	724,188
1925	271,064		
1926	274,604	1945	711,117
1927	290,282	1946	831,697
1928	300,602	1947	912,124
1929	319,476		

[1] From reports in *The Labour Gazette*. Annual reports may be consulted to bring the table up to date.

8.0 Labor Organization in Canada

In many respects, the history of labor organization and collective bargaining in Canada parallels that of the United States. Canadian labor unions include many of the same internationals. Both AFL and CIO unions have many locals in Canada. The growth of unionism since 1935 has been comparable in Canada to that experienced in the United States. Current union membership totals more than 900,000, or one-fourth of the total employed labor force. About one-third of the total labor force now works under terms negotiated in collective bargaining.

Table 15.2 outlines the growth of union membership since 1911. Table 15.3 presents a classification of members according to their affiliation. The table indicates the somewhat complicated status of affiliations. As in the United States, there are considerable numbers of unaffiliated local as well as national and international unions, and the "Big Four" of railroad brotherhoods presents a united front. A small group of unions is combined in the Canadian Federation of Labour, formerly a part of the All-Canadian Congress of Labour. Since 1940, however, the Canadian Congress of Labour like its U.S. counterpart, the CIO, has been a separate federation. A small number of unions is directly affiliated with the CIO, and a somewhat larger number is directly affiliated with the AFL. A distinctive federation, since 1921, is the Confederation of Catholic Workers of Canada. Largest of the Canadian organizations is the Trades and Labour Congress of Canada, which also has the longest history, dating back to 1892 under its present name.[1] These relationships are graphically shown in Fig. 15.5.

TABLE 15.3. DISTRIBUTION OF CANADIAN UNION MEMBERSHIP BY AFFILIATION, 1948[1]

Affiliation	*Membership*
Trades and Labour Congress of Canada	439,029
American Federation of Labour[2]	9,367
Canadian Congress of Labour	338,627
Congress of Industrial Organizations[3]	3,777
Canadian and Catholic Confederation of Labour	93,370
International Railway Brotherhoods (independent)	41,126
Canadian Federation of Labour[4]	3,992
National Council of Canadian Labour[4]	1,362
Unaffiliated national and international unions	42,598
Unaffiliated local unions	4,346
Total	977,594

[1] From *The Labour Gazette*, Vol. 49, No. 9, September, 1949, p. 1096. The table may be kept current by reference to annual reports in this publication.

[2] These comprise international unions affiliated with the AFL in the United States the Canadian branches of which are not affiliated with the Trades and Labour Congress of Canada or the Canadian Congress of Labour. Local or federal unions which received their charters directly from the AFL have been included under the Trades and Labour Congress in this table as they are affiliated with that body.

[3] These comprise international unions affiliated with the CIO in the United States, the Canadian branches of which are not affiliated with the Canadian Congress of Labour.

[4] The membership shown is for the affiliated unions which reported their membership to the Department.

Canadian union membership is concentrated in "metal industries," railway transportation, "services," wood and wood products, construction, and "other transportation." The distribution of membership by main industrial groups is summarized in Table 15.4.

[1] See Idele Wilson, "Labor Organization in Canada and its Present Structure and Policies," *Annals of the American Academy of Political and Social Science*, Vol. 253, September, 1948, pp. 98–104; also Margaret Mackintosh, "The Canadian Labour Movement," reprint from *Canadian Welfare*, December, 1946; also "Collective Bargaining in Canada," *N.I.C.B. Studies in Personnel Policy*, No. 84, 1947.

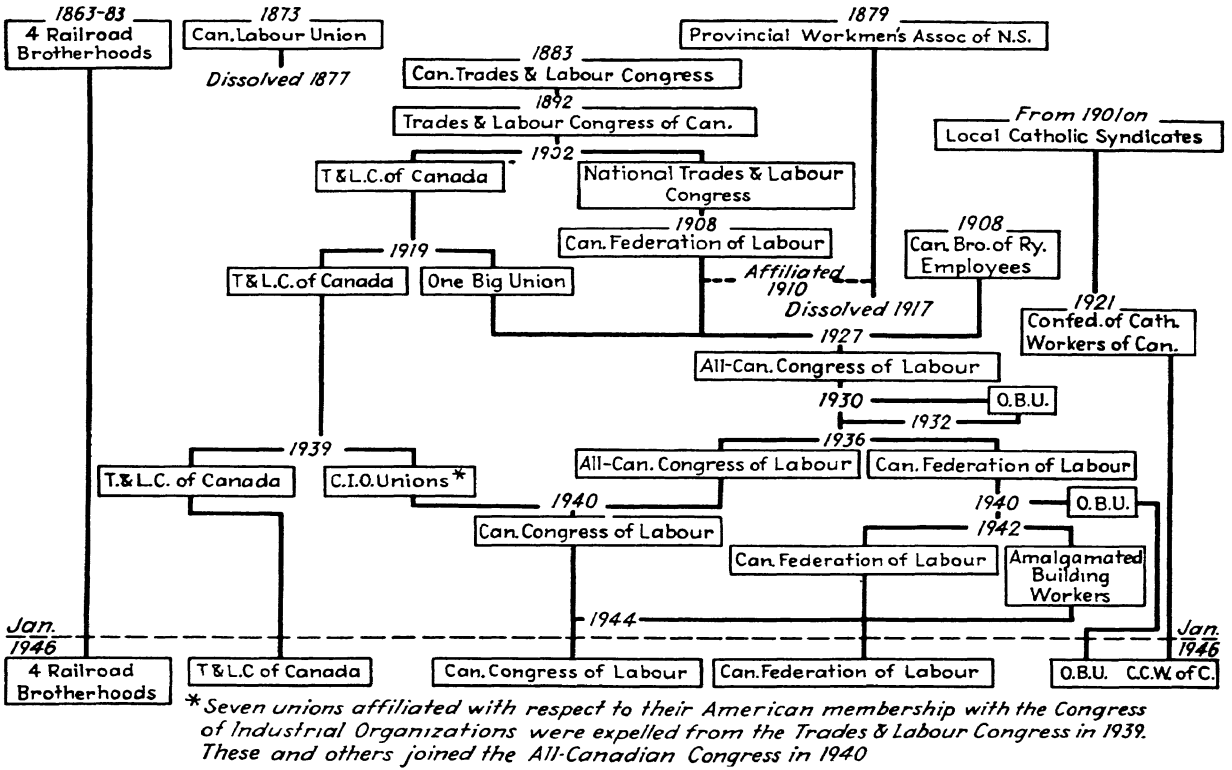

FIG. 15.5. Labor Organization in Canada. (*Reproduced from Margaret Mackintosh, "An Outline of Trade Union History in Great Britain, the United States, and Canada," Department of Labour of Canada,* 1946.)

TABLE 15.4. DISTRIBUTION OF CANADIAN UNION MEMBERSHIP BY MAIN INDUSTRIAL GROUPS, 1948[1]

Industrial group	Membership	Per cent of total
Mining and quarrying	48,784	5.0
Metals	188,264	19.3
Construction	91,632	9.4
Light, heat, and power	11,639	1.2
Wood and wood products	95,390	9 8
Printing and publishing	19,731	2.0
Steam railway transportation	143,811	14.7
Other transportation	62,203	6.4
Services	116,169	11.9
Clothing and footwear	50,301	5 1
Textiles	51,165	5 2
Foods	44,137	4 5
All other industries	54,368	5 5
Total	977,594	100 0

[1] From *The Labour Gazette*, Vol. 9, No. 9, September, 1949, p. 1097. Current data will be found in the regular reports in this publication.

9.0 Collective Bargaining in Other Nations

Reference to early developments in collective bargaining necessarily describes experience in England and in several European nations. High lights of these developments were described in Section 3.0, pages 418 to 420 of Chap. 14.

World War II and the events that preceded and followed it almost completely destroyed the labor movements of most continental European nations. In Germany and Italy, Hitler and Mussolini found free labor unions incompatible with the totalitarian state. Unions were made subservient and rigidly restricted. Free unions are being reorganized, but the process is slow. In nations dominated by Soviet Russia, communist leaders have taken over the unions, so that they have to a large extent become agencies of the revived Comintern.

Rebuilding the free trade-union movement of western Europe has been a major objective in programs designed to provide economic assistance to these nations. The Economic Recovery Administration included in its top planning and administrative levels several representatives of American unions. They have sought to encourage redevelopment of the formerly important labor movements in Germany, France, Italy, Greece, and other cooperating nations.[1]

[1] See Matthew A. Kelly, "The Reconstruction of the German Trade Union Movement," *Political Science Quarterly*, Vol. 64, No. 1, March, 1949, pp. 24–49.

9.1 *English Labor Organization.* In Great Britain, the labor movement has continued to grow and has achieved increasing recognition and power. The British Trades Union Congress remains the major federation, with affiliated unions representing some 80 per cent of all English unionists. More than one-third of all employed persons are members of unions. No sharp conflict of interests between craft unionism and industrial unionism has appeared.

Within the Congress, some sixty bargaining associations or federations are included. Employers are similarly organized. Agreements entered into by these federations and employers' associations tend to set a pattern that is followed by unaffiliated unions and employers. After a long history of restrictive legislation, unions have now achieved a status in which they enjoy great freedom. But they have, at the same time, become closely identified with the government—in part because of the British Labour Party.[1]

9.2 *Scandinavian Nations.* In Scandinavian countries, particularly Sweden, the situation is similar to that in England. Employers' associations are active, both in the negotiation and administration of agreements. There is a Confederation of Trade Unions in Sweden representing more than 40 national federations, *i.e.*, industry and trade groups. Legislation places a high degree of responsibility on both unions and employers' associations. They are required to make use of a labor court, established to settle disputes arising out of the interpretation of agreements. They are held responsible for damages arising out of breach of contract.[2]

9.3 *International Federations.* International associations of socialist and communist movements—the so-called "Internationals"—have been mentioned in the discussion of radical unionism. In addition to these organizations there have been and are several attempts to maintain associations of free labor movements in various nations. The International Federation of Trade Unions, formed in 1903, was of this type. While it did not engage in collective bargaining, it sought to solidify and

[1] See, for more extensive discussions of the labor movement in England, Norman J. Ware, "Labor Movements of Great Britain and the United States," *American Economic Review*, Vol. 29, No. 2, June, 1939, pp. 237–245; Sir Walter Citrine, *Seventy Years of Trade Unionism, 1868–1938*, London, Trades Union Congress, 1938; Paul Blanshard, *An Outline of the British Labour Movement*, New York, Doubleday & Company, Inc., 1923; Charles L. Mowat, "Some Recent Books on the British Labour Movement," *Journal of Modern History*, Vol. 17, No. 4, December, 1945, pp. 356–366.

[2] See Assar Gabrielsson, "How Swedish Management and Labor Bargain Collectively," *Modern Management*, Vol. 8, No. 5, July, 1948, pp. 25–28; regular reports in *Notes on Labor Abroad*, U.S. Department of Labor (monthly); Folke Schmidt and Henry Heineman, "Enforcement of Collective Bargaining Agreements in Swedish Law," *University of Chicago Law Review*, Vol. 14, No. 2, February, 1947, pp. 1-16; "Sweden's Labor Program," *Pamphlet Series*, League for Industrial Democracy, 1948; "Extent of Collective Agreements in Seven European Countries," *Monthly Labor Review*, Vol. 64, No. 6, pp. 1019–1033.

represent the cause of constituent federations and congresses in international affairs. After the Russian revolution, a major objective of IFTU members in Europe was the "containment" of communism. The organization sought to oppose the Red International and to prevent communists from securing control of labor unions in other nations. At one time, it represented some 20,000,000 members. Destruction of the free labor movements in Germany and Italy, together with the collaboration of Russia with the Allies in World War II, caused serious disintegration in the IFTU. Unions of the United States were represented by the AFL, which joined the IFTU in 1910, retired when it became intensely political in 1923, and rejoined in 1937.

Following World War II, in 1945, a new international federation, known as the World Federation of Trade Unions, was formed by representatives of some 65 labor organizations. One year later, the organization claimed to represent more than 66 million unionists in 56 nations. The CIO, which had long objected to the AFL's exclusive representation of U.S. wage earners in IFTU, cooperated in formation of the WFTU. The AFL refused to participate, on the ground that the new association was largely the tool of communist-controlled unions of Russia and her satellites.[1] Russian manipulation of the new federation became increasingly evident in 1948 and 1949. The CIO withdrew from the WFTU in 1949, as did the British Trades Union Congress and the Dutch Federation of Labor. Thereafter, AFL and CIO cooperated with these and other noncommunist associations in rebuilding the free trade-unions of Europe. In December, 1949, both AFL and CIO joined with representatives of labor organizations in 40 other nations in forming the International Confederation of Free Trade Unions (ICFTU).

9.4 *The International Labour Organization.* Mention should be made also of the International Labour Office and International Labour Organization, although the ILO is not comparable to the federations described in earlier discussions in Chap. 14. The ILO was established after World War I to ensure that labor would be represented in discussions of international policies. The Treaty of Versailles, which created the League of Nations at the close of World War I, created the ILO. The organization consists of two rather distinct parts. One is an annual international conference that considers legislative standards to be submitted to member nations as *draft conventions.* The other is a continuing and permanent International Labour Office.

Major functions of the International Labour Organization are five in number, as follows: (1) provision of commissions of inquiry and

[1] For reports of WFTU activities, see *Notes on Labor Abroad* (U.S. Bureau of Labor Statistics), for example, No. 8, June, 1948, pp. 60–62.

advisory commissions, (2) research, (3) formulation of standards, (4) preparation and presentation of draft conventions, and (5) publications.[1]

When the League of Nations was replaced by the United Nations, after World War II, the ILO became a "specialized agency" of the UN.[2]

QUESTIONS AND EXERCISES

1. Show that collective bargaining reflects social as well as economic objectives of wage earners.
2. How does the present extent of collective bargaining in the United States compare with its coverage in earlier years?
3. Explain collective bargaining in terms of the goals of unions and of their members.
4. How do union goals or objectives compare or contrast with current social goals?
5. Why does collective bargaining require permanent rather than temporary or transitory associations of employees?
6. How do the objectives of most unionism in the United States relate to the basic philosophies of capitalism and socialism?
7. Describe each of the major types of unions in terms of (1) the nature of their membership, and (2) their purposes or functions.
8. Distinguish belligerent and negotiatory types of employers' associations.
9. What are "administrative" employers' associations?
10. How are modern unions related to the early guilds, to syndicalism, and to the first and subsequent "internationals"?
11. Describe briefly each of the principal stages in the development of labor organizations in the United States.
12. Describe and explain the rise and fall of the National Labour Union and of the Knights of Labor.
13. Describe the basic ideological conflict that precipitated the split between the AFL and the CIO.
14. Has jurisdictional strife been increased or decreased as a result of the expansion of industrial unionism?
15. How has the history of employers' associations paralleled that of labor organization in the United States?
16. Describe devices used by early belligerent employers' associations to combat unionism.
17. Trace the principal changes in numbers of union members in the United States since 1900 and explain major fluctuations.

[1] Publications include (1) *International Labour Review* (monthly); (2) *Industrial and Labour Information* (weekly news service in English and French); (3) *Official Bulletin* (the official record of matters of interest to the organization); (4) *Industrial Safety Survey* (bimonthly); (5) *Bibliography of Industrial Hygiene* (quarterly); (6) *Bibliography of the International Labour Organization* (annual); (7) a *Legislative Series* (annual); (8) an *International Survey of Legal Decisions on Labour Law* (annual); (9) *Documents of the International Labour Conference* (annual); (10) *Studies and Reports* (irregular); (11) *Special Reports* (irregular); (12) *Occupation and Health Encyclopedia of Industrial Hygiene* (being compiled); (13) *International Labour Directory;* and (14) the *I.L.O. Yearbook* with an appendix on "Labour Statistics," and special studies and publicity dealing with the nature and work of the organization. Many publications are issued in several languages.

[2] See *Fortune*, Vol. 30, No. 1, September, 1944, pp. 160*ff*.

18. Contrast circumstances that appear favorable to union development and expansion with those that limit such growth.

19. Compare the structures of the AFL and CIO, indicating the functions of major divisions in each.

20. What are the major publications of the AFL and CIO?

21. What are the principal "unaffiliated" unions in the United States?

22. Summarize the experience of radical or revolutionary unionism in this country.

23. Compare the structure of labor organization in Canada with that in the United States.

24. What crafts and industries are most important in the Canadian labor movement?

25. Describe the impact of World War II on free unionism in Europe.

26. How does collective bargaining in England and in the Scandinavian nations differ in major practices from that in the United States?

27. What are or were the IFTU, the WFTU, the ICFTU, and the ILO?

28. Describe major activities and objectives of the ILO.

Chapter 16

Policies and Practices of Labor Organizations

Principal objectives of labor organizations have been mentioned or implied in considering the growth and structure of unions in the preceding chapter. Attention turns now to the major policies and practices by which unions seek to attain these objectives. Policies represent the formulated viewpoints, the accepted principles and philosophy by which objectives or goals are defined and justified, the "settled courses" unions seek to follow in their day-to-day operations. Policies are not, of course, uniform for all types of unionism. Policies of business unionism vary from those of revolutionary or uplift unionism, for example. Policies change, also, with the passage of time.

Practices represent the techniques, devices, and procedures—the action proposed or taken—to effectuate accepted policies. The relationship may be described briefly as follows: goals or objectives are identified; policies designed to explain and justify and effectuate these goals are developed and accepted; practices are selected to implement these policies and put them into effect. Goals and policies may be stated; they may be identified in written and oral statements, in resolutions, constitutions, and the words of leaders. They may also be inferred from practices.

1.0 Organizational Activities

At the outset, it may well be noted that unions, like most other institutions, spend a considerable portion of their effort and energy in maintaining, defending, and expanding their own organizations. This is but one of several goals in which immediate interests of the union and of its individual members may be related rather than identical. For example, the organization's best interests may dictate a large membership, while members' immediate interests may best be served by a small, exclusive group. Recognition of this distinction between union goals and membership goals may help to explain some practices of unions that would otherwise appear unreasonable or unwise.

An organization must "mend its fences." It may seek to extend them as well. For such purposes, most local unions as well as nationals and internationals and city and state councils and federations employ one or more organizers. These representatives seek new members and maintain close contacts with present members, encouraging the latter to increase

their interest and active participation in union affairs. Organizers' activities may take the form of campaigns, illustrated by the carefully planned organizational programs undertaken by both AFL and CIO to bring southern employees into unions during the years immediately following World War II. More frequently, campaigns are concentrated on a single community or plant. Organizers may offer their services to local unions to build up membership, stimulate interest, assist in negotiations, and otherwise strengthen existing organizations.

Approximately half of the total expenditures of the American Federation of Labor, in recent years, have gone to pay organizing expenses. Almost two hundred paid organizers have been employed on the AFL central office payroll. CIO organizing efforts have probably been more extensive and expensive. Older unions have frequently given or loaned large amounts to younger unions or organizing committees.

1.1 *Union Label.* One of the most obvious practices of unions in this organizing function is the promotion of the union label. The idea is patterned somewhat after the use of trade-marks and brands. Union labels (illustrated in Fig. 16.1) show that whatever products they identify have been produced by union labor under conditions specified in collective agreements. Although the label is intended to appeal to all consumers, it is regarded as of special significance to members of organized labor as a means by which they can support the labor movement and advance its interests. All unionists are urged to insist upon the union label on products they and their families purchase. Attention is given to the matter in conventions of organized labor, where it is customary to have a "union-label roll call," in which all those who wear certain articles of union-made clothing, who smoke union-made cigars and cigarettes, who purchase union-made foods, and who otherwise insist upon the label are called upon to rise as these various commodities are mentioned. Delegates may be required to have a specified number of union labels on their person.

The use of the label is not new. It originated in cigar factories in California in 1875 and was originally used to identify cigars made by white employees in the industry. Its use was approved and promoted by the Knights of Labor. There are now distinctive labels identifying the products of more than 50 trades, in addition to many other insignia that identify union shops or union employees by means of cards, signs, buttons, and emblems. One that may be most frequently noticed is the "bug" of the allied printing and typographical unions.[1] One of the five departments of the AFL was established for the specific purpose of encouraging

[1] The Allied Printing Trades Council, AFL, composed of five major printing trades, maintains an active campaign to secure use of the "bug." It sponsors local councils and is in many ways comparable to the departments in the AFL.

discriminative buying based on the label. The CIO also has a union-label department. The union label is protected against counterfeiting by special legislation in 44 states and the District of Columbia.

UNION MADE
PAPER PRODUCTS
UNION BAR
UNION HOUSE
UNION MARKET
AMERICAN FLINT GLASS WORKERS UNION
UNION LABEL
UNION SHOP
UNION MADE
UNION SERVICE
UNION LABEL
UNION MADE
UNION SHOP
UNION MADE
UNION MADE
UNION MADE

choice. They may affiliate if they wish. Their participation is, however, entirely voluntary. While the AFL, for example, can expel a member, it can only do so by a two-thirds vote in convention. Actually, member internationals have only been expelled when they refused to abide by decisions in cases of internal conflict. The principle of voluntarism prevails, also, in relationships with state and city federations and councils.

Within the Federation, and to a lesser extent in the CIO, the nationals and internationals remain sovereign groups. Their internal affairs are not subject to control by the central association. The AFL, for example, has generally refrained from control of member unions, even in cases where leadership of the internationals, or election procedure, or other characteristics of their administration have been embarrassing to the Federation. Similarly, the Federation does not require locals of affiliated internationals or directly affiliated locals to join city and state federations.

The CIO has, from the time of its organization, shown a tendency toward a somewhat greater centralization of authority. In part, the difference reflects the necessity for more effective central planning and control in the vast organizing campaigns in which the Committee and more recently the Congress has engaged. Centralization was encouraged also by the emphasis upon laboristic political action. After World War II, a similarly centralized control was regarded as essential to prevent the "boring from within" tactics of left-wing leadership that had gained control of some internationals and numerous local and state industrial councils.[1]

Anticommunist affidavits required of labor leaders by the Labor-Management Act of 1947 emphasized the need for a strong central authority in the Congress. Unions whose officers did not sign such affidavits could not utilize the services of the NLRB and were barred from ballots in NLRB elections. Under these circumstances, CIO unions lost representation rights in numerous bargaining units. Locals of internationals whose officers failed to sign affidavits threatened to desert the CIO. In some cases, they left CIO internationals and assumed an independent status or joined AFL unions.

The principle of voluntarism does not carry the same weight within the internationals in their local organizational programs. Many internationals exert rigorous control over locals. They may discipline or remove officers and appoint "trustees" to manage recalcitrant locals. They may seek "union" or "closed"-shop or "checkoff" arrangements

[1] See, in this connection, Charles C. Killingsworth, "Organized Labor in a Free Enterprise Economy," *The Structure of American Industry*, New York, The Macmillan Company, 1950, pp. 550–571.

as means of ensuring continued membership on the part of individual employees.

2.0 Control of Labor Supplies

In all business unionism, a primary objective is to maintain control of labor supplies. Unions seek to secure the advantages of monopoly and restricted supplies of members' services. To that end, a union tries to achieve the status of representative or agent for such manpower as is to be employed in the particular market involved. In all such relationships, three policies have long been apparent. They have sometimes been described as policies of standardization, representation, and recognition.

"Standardization" refers to the inclusive subordination of the individual to the group in collective bargaining. It implies the setting of standards, standards of the unit of labor to be sold, standards of wage payment, and standards of working conditions. Perhaps it should be described as a policy of uniformity, rather than standardization. In any case, it means that unions prefer to deal in terms of generalized conditions, rather than the specific individual contribution of a single employee. Some unions place greater emphasis than others on this principle, as is evident from the varying use of piece-rate and incentive wage plans.

The policy of "representation" holds that employees shall choose and have the right to be represented by others in their dealings with employers. It is opposed to the individualistic viewpoint, frequently voiced in years past, that employer and employee will deal "man to man" and that no one can come between an employer and his employees. Obviously, without "representation," there is little place for unions in collective bargaining.

"Recognition," the third basic principle, refers to the acceptance of a union as representative of its members. Recognition implies that an employer accepts the union and deals with it, somewhat although not entirely as specified in the laws of agency. "Recognition" involves many variations in form, some of which deserve additional attention.

2.1 *Union Recognition and Union Security.* As a first step in bargaining, unions seek "recognition." They ask that they be "recognized" as the representatives of employees for purposes of negotiation.

There are several types of recognition, involving differing degrees of responsibility and authority granted to the union. In recent years, these several arrangements have been described as "union security" clauses or provisions, for they reflect the status and security granted the union. The change in designation followed enactment of the Wagner Act in 1935.

The type or amount of recognition or security granted to unions has been a matter of long-standing debate and bitter dispute. It involves

questions close to the heart of what has frequently been an embittered struggle between those who sought to advance collective bargaining as a system of labor-management collaboration and those who regarded unions as unnecessary and undesirable.

Unions and their supporters insist that if employees are to be represented by a union and if that union is to be an authentic spokesman and agent, it must be accorded a clear-cut status and authority by the public and by employers. Particularly if employers and the public are to demand "responsibility" of the union for actions of its members, the union must have standing, security, and authority. From the viewpoint of many unions, that status must include authority to discipline and perhaps to expell members in accordance with rules created by the membership. Otherwise, they argue, the union cannot ensure that members will observe such agreements as are effected. At the same time, such "security" must protect the union from attempts by non-union employees or supporters of another union to undermine the organization. Further, it must offer protection against actions of employers in dealing with employees who are not members or in dealing with another union. Particularly where unions are new, they may have great difficulty in holding their membership and requiring observance of contract provisions if some fairly strong form of recognition is not enforced. Without it, members are likely to support the organization during negotiations and disavow it subsequently, when contract terms must be enforced.

The question of union security clearly reflects concern of union officers and members for the organization itself, apart from its members. They seek to ensure permanence and stability for the organization. They seek to protect the union against sudden shifts in the regard in which it is held by its members, to prevent temporary and transitory support. They hope, through an effective tradition of union security—developed in part by favorable legislation and in part by successful bargaining—to secure acceptance of the union as a permanent third party in employer-employee relationships.

Opponents of "strong" security provisions argue that such security can be maintained only at the expense of democracy within unions and and only by granting great power and influence to labor organizations. They argue that such security encourages labor "bosses," that it allows officers to secure and maintain control against the will of union members. They insist that rules of some organizations are unnecessarily arbitrary, as for example, in provisions permitting the expulsion of members without trial by an outside, neutral tribunal.

These and other related issues have encouraged a long-standing conflict over the degree of recognition or union security to be permitted by law.

At the same time, of course, similar conflict has developed in individual negotiations, with many managements giving ground slowly and resisting each new demand for greater union recognition.

The weakest form of recognition is that in which the union is recognized as "bargaining agent for members only." In such an arrangement, no longer common, an employer recognizes the union as representing its members, but reserves the right to bargain individually with all employees not members of the union.

In contrast with this arrangement, most current relationships recognize the union as "sole bargaining agent" for employees in the particular "bargaining unit" involved. Such recognition, as the title implies, means that all employees in the unit will work under provisions which have been established by collective agreement with the union. No "side" agreements are permissible. It will be apparent that union "security" is enhanced by this arrangement.

2.2 *Types of Shop.* As a further step in the development of union recognition and security, several types of limitations on employment have appeared. They represent varying degrees of control over labor supplies accorded to the union, ranging from one extreme in the "open shop" to the other extreme in the "closed shop" with a "closed union." In addition, several forms of "checkoff" may be established to assure the union that members will pay their dues and otherwise maintain their good standing in the union.

2.21 *Closed antiunion shop.* The closed antiunion shop is no longer widely established, although there may be managements in a few localities that still approximate this arrangement in their employment policies. In it, no unionists are accepted for employment. This type of discrimination was not unusual in the period before public policy and legislation approved collective bargaining. It was frequently associated with and enforced through the *yellow-dog contract*, by which an employee agreed not to be or become a member of any union during the term of his employment. The National Labor Relations Act of 1935 made such practices illegal in the industries to which it applied.

2.22 *Open shop.* In the open shop, union membership is regarded as having no relationship to employment. Often described as the "American plan" in years past, the open shop means that employment is open to all, union and nonunion alike. Since no attention is paid to union membership, no recognition is granted to a union, and no collective bargaining is practiced, under this arrangement For this reason, the open shop has been attacked by unionists, who argue that it is an antiunion arrangement. They insist also that it was frequently a screen or cloak for the closed, antiunion shop. It is the open shop that Finley Peter Dunne had "Mr. Dooley" describe when he said: "What is th' open

shop? Sure, 'tis where they kape the doors open to accommodate th' constant stream of min comin' in t' take jobs cheaper than th' min what has th' jobs."

2.23 *Union shop.* The union shop is presently the most common type of union security provision. In it, all employees are required to become union members within a stipulated period after they are hired and to remain members throughout their employment. Union membership is not a requisite for hiring, but after 30, 60, or 90 days—usually corresponding to the period of probationary employment—if an employee wishes to remain, he must join the union. Thereafter, the employee must retain his membership as long as the union-shop provision is in force.

Under earlier union-shop provisions, if an employee was expelled from the union, he lost his right to continue on his job. Recently, however, under regulations imposed by the Labor Management Relations Act of 1947, discharge for loss of union membership may be enforced only if the expulsion is for nonpayment of dues, not for other offenses against the union. By this change, the authority of the union to discipline its members was obviously weakened.

2.24 *Maintenance of membership.* During World War II, when work stoppages could not be tolerated, maintenance of membership was established in many shops, as a compromise between union demands for a union or closed shop and employer refusal to grant such terms. The arrangement had been used in a few industries before the war, but the War Labor Board gave it wide usage and made it the most common form of union security.

Under maintenance of membership provisions, present employees are given an *escape period*, generally of ten days or two weeks, when the arrangement is established. During the escape period, they must decide whether or not they wish to become or remain members of the union. At the expiration of this period, all those who are union members must maintain their membership for the duration of the contract or agreement. New employees exercise the same option. If they join the union, they must remain in it for the duration of the agreement.

2.25 *The Rand formula.* Another World War II contribution, originating in Canada, is the Rand formula, so called because it was advanced by Justice Rand as a basis for settlement of a Ford Motor Company strike in Canada in 1945. It is similar to what is sometimes described as an *agency shop.* It requires that all employees pay dues to the union, whether members or not, and further requires that the union poll all employees—members and nonmembers alike—in strike votes. It is designed to prevent "free riders," *i.e.*, employees who secure all the benefits resulting from union negotiation without contributing anything to the support of the union.

2.26 *Preferential shop.* In the preferential shop, union members are given preference in hiring. Nonmembers are employed only if no union members are available. This type of relationship is general only in situations where a union has achieved recognition, generally as sole bargaining agent, and where collective bargaining is accepted. The preferential shop has a long history in certain industries, of which the building trades are an outstanding example.

2.27 *Closed shop.* In the closed shop only union members may be hired. Employers may secure employees through union-controlled hiring halls or by asking a union official to supply candidates or otherwise. While an employer does not ordinarily have to accept members recommended or referred, his choice is restricted to union members.

The *closed union* is not a form of union security contract provision. It is, however, closely related and frequently confused with such provisions. A closed union is one that shuts the door to all or specified types of applicants, thus limiting its membership. Any union may have such rules, but the term is generally used to refer to what are regarded as questionable or unreasonable limitations on admissions. For example, the fact that applicants must show a knowledge of painting to be admitted to the painters' union would not be considered evidence that it is a closed union, nor would it be objectionable. But requirements that new members of a union must be sons of present members, or members of a specified race, or that no new members will be accepted, or that membership may not exceed a prescribed number would justify such a designation.

2.28 *The checkoff.* Another means of providing union security is the checkoff of union dues. Under checkoff provisions, management deducts specified union dues and fees from wages and remits the amounts involved directly to the union. The device was not widely used before World War II, although it had long been included in contracts negotiated by the United Mine Workers. During the war, many organizations, particularly the newer unions and those that were growing rapidly, sought and received checkoff provisions by order of the War Labor Board. Since the war, these provisions have become common in a wide range of industries.

Two types of checkoff may be noted. One is described as *voluntary* and *revocable.* Under this arrangement, employees may (usually upon written notice to the employer) ask that deductions be made from their wages and forwarded to the union. They may discontinue this arrangement by a similar notice to the employer. Under *compulsory* and *irrevocable* provisions, however, union members are required to authorize the checkoff and cannot rescind their authorization.

2.3 *Jurisdictions.* Another means by which unionists control supplies of labor is the establishment of jurisdictional restrictions. They thus

impose arbitrary limits determining which union members are eligible to perform particular services. Three principal types of jurisdictional restrictions may be noted, including territorial, intertrade, and interorganizational jurisdictions.

Territorial limitations upon jurisdictions amount to the establishment of boundaries within which only members of specified unions may be employed. Local 435 of a specified union—carpenters, for example—may have exclusive jurisdiction over all employment in this trade within the fifth ward of a certain city. The size of its jurisdiction depends largely upon demands for these tradesmen in the locality and upon the number of other locals of the same organization in close proximity.

Intertrade jurisdictions define the particular tasks that are the province of each specialized group of craftsmen. The latter can perform no operations that are within the jurisdiction of another cooperating union. In the illustration cited above, for instance, the tasks that are recognized as properly those of carpenters are carefully defined. Members of no other union are permitted to perform them. On the other hand, carpenters are not allowed to perform tasks that are recognized as the proper function of other cooperating unionists. They will not, for instance, plaster any wall, or install any plumbing, electrical wiring, or masonry, if there are in that locality other cooperating organizations representing the occupations to whose jurisdictions such tasks have been assigned.

Intertrade jurisdictions have become a matter of keen importance in the American labor movement, and their maintenance is frequently a subject of controversy. As has been noted, much of the work of the departments and departmental councils of the AFL is concerned with settlement of jurisdictional disputes. A portion of the attention of each AFL convention is given to similar questions. Defining with exactness the proper functions of each trade is difficult. To keep these definitions up-to-date presents added problems, because of changing practices and techniques and the varying divisions of labor these changes occasion. The substitution of new materials is one of the most common of such changes. Until recently, for instance, lathing was a task to be undertaken with a saw and a lathing hatchet and represented the proper activity of woodworkers. Today, however, in a large share of construction, wooden lath has been replaced by metal. Pliers and tin snips are appropriate tools for the newly developed process. Similar confusion has arisen out of the substitution of Diesel and electric for steam power on railroads, the increased use of metal, slate, and composition roofing materials; the construction of imitation stonework; and many other changes in styles and techniques in construction as well as in industry generally.

Finally, there are interorganizational limitations that prohibit *dualism.*

They represent stipulations in the charters of city centrals, state federations, and other similar associations which provide that but one union in each trade shall be included in their membership. They will not permit two organizations covering the same trade—two different unions of plumbers, carpenters, or electricians, for instance—to be members of their association. This does not mean, of course, that they do not permit many locals, each with its local territorial jurisdiction, to affiliate.

2.4 *Membership Restrictions.* Reference has been made to *closed unions.* Complete refusal to admit additional members is not common, but many devices are used to restrict admissions and thus to limit available supplies of manpower. Such restrictions have been widely condemned as tending to limit employment opportunities. From an economic standpoint, however, they are understandable. Further, some restrictions are clearly necessary to ensure that union members meet standards of competence. Finally, it is well to remember that unionists frequently regard their unions as fraternal brotherhoods or lodges, rather than public or semipublic institutions, an inheritance from early guild organizations.

Establishment of standards of trade knowledge and performance is an accepted technique for limiting membership. Many locals have examining committees for this purpose. In an increasing number of crafts, this procedure is supplemented by local legislation requiring that tradesmen hold appropriate licenses. Cities or states have been encouraged by unions to provide examining services. In many cases, laws specify that barbering, painting, wiring, plumbing, and other similar work shall be performed only by licensed craftsmen. The force of law is thus added to union pressure in limiting labor supplies.

Apprenticeship training provisions may be similarly employed to maintain control over admissions to various crafts. Contracts frequently specify the permissible ratio of apprentices to journeymen, thus limiting admissions. Apprenticeship provisions may be made so unattractive that they discourage new entrants.

Discrimination on the basis of race has long been one rather widely used means of restricting membership. From the days when guilds involved close family and fraternal associations, rules have frequently stated that representatives of certain groups will not, under any circumstances, be allowed to become members of existing organizations. Negroes have been excluded from membership in many local unions and some national unions. A number of other unions organize separate locals for Negroes. Fair employment practice legislation in several jurisdictions now applies to unions as well as to employers.

One means of limiting admissions to unions is the requirement of high initiation fees. In some unions, a studied policy has set admission costs

so high as to preclude additions to present membership. Such provisions are, however, unusual rather than usual.

Some unions have set a positive limit on membership, on the theory that any additions would weaken the organization's bargaining power. Sometimes such arrangements provide for what is regarded as temporary expansion by issuing "permit cards." The latter allow card holders to work in union or closed shops upon payment of fees and dues but do not grant membership in the union. The arrangement has been widely condemned, in part because it presents an opportunity for graft on the part of union officials, but more particularly because card holders support the union but may be refused many of its benefits.

2.5 *Range of Bargaining.* From the standpoint of the control of labor supplies, one of the most obviously significant considerations is the proportion of the total labor market that is covered by any collective agreement. If an agreement is limited in coverage to a single firm, similar employees may be available to competing firms at lower wage rates. The position of the union in such a situation may be weakened, both with respect to its own membership and in its dealings with employers. In many instances, therefore, unions seek "master contracts" with all local employers in the industry. That practice is now well established in the building trades, in many areas, in which all contractors pay the same wage rate for carpenters or electricians, or bricklayers.[1]

In several industries, of which coal, steel, and rubber are examples, unions have sought a range of bargaining that is industry-wide in coverage. They negotiate a single contract whose provisions are accepted by all employers and all local unions in the industry. They thus establish similar conditions of employment throughout the industry.

Existing practice in these industries and efforts to extend it to others have been widely discussed. Economic effects are obviously far-reaching. The practice tends to equalize labor costs to all employers, thus limiting the competitive advantage that might be secured by some managements if a variety of employment conditions prevailed. To some extent, it introduces a stabilizing effect in the industry that is appreciated by firms that have traditionally paid higher than average rates. The practice eliminates geographic differentials and thus works to the disadvantage of plants which—on account of their distance from markets or sources of raw materials—were able to compete mainly because their labor costs were relatively low. Some such firms may be forced out of business. To some extent, of course, managements may seek to profit from the distinction between wage rates and labor costs, that is, they may try to gain an advantage from the more efficient use of manpower. But

[1] See W. Ellison Chalmers and Scott MacEachron, "Master Agreements in Collective Bargaining," University of Illinois *Bulletin*, Vol. 47, No. 22, November, 1949.

industry-wide bargaining may define working conditions so rigidly as to preclude much differentiation in this respect.

From the public viewpoint, industry-wide bargaining appears to involve several possible hazards. It permits what amounts to monopolistic pricing of labor in the industry, with obvious implications for product prices and consumers' costs. At least as important, industry-wide bargaining carries a threat of industry-wide work stoppages. In many industries, such a cessation would seriously threaten the health and welfare of large numbers who are in no way involved in the controversy between the parties.

Not all unions seek industry-wide bargaining agreements. In many labor organizations, opposition to such centralized control is frequently expressed. Members in localities that are far from product markets or raw materials recognize the hazard to their employment that is inherent in any stereotyped bargaining. In other cases, local unions feel that they can secure greater concessions than can be gained on a national basis. There is objection also to the possibility that members of all locals, whether or not they have satisfactory relationships with employers, may be forced into work stoppages to enforce a nation-wide demand.[1]

3.0 Control of Demands for Labor

Unions find lesser opportunities to control demands for labor than those they exercise with respect to supplies. For the most part, they can only seek to channel or direct existing demands in such a manner as to maximize their impact on union-controlled supplies. To a considerably more limited degree, they may seek to create or modify demands.

Efforts to secure closed-shop arrangements represent the most obvious means of requiring that demands specify union members. Preferential hiring contracts also channel demands and restrict them to union members. Jurisdictional rules have a similar effect, as do interunion agreements that unionists will not work beside nonunion employees.

Efforts have been made to create demands for union members. Thus, for example, unions have been active in securing provisions in building codes requiring plastered walls, metal lath, prescribed systems of electrical wiring and plumbing facilities, and other specifications that can only be met by employing union labor. They have supported bills for public building and construction, on the theory that such activities create demands for the services of their members. They have secured enactment of "full crew" laws to require employment of a specified minimum

[1] See, for a discussion of these union viewpoints, W. S. Woytinsky *et al.*, *Labor and Management Look at Collective Bargaining*, New York, The Twentieth Century Fund, Inc., 1949, pp. 2–24.

number of employees. They have urged statutes limiting hours of work, for the same reason.

4.0 Contract Negotiation and Administration

A large portion of the time of most union officers is devoted to the negotiation of collective agreements and the administration of these contracts. The collective agreement is the formal evidence of their effectiveness. It indicates that they have achieved recognition. It demonstrates their action as agents for union members and is tangible evidence of the benefits and advantages they have achieved for the membership. The devices they use in securing such agreements are, therefore, important as the tools of unionism in one of its major functions.

Negotiation refers to the process of discussion, of making proposals and offers, considering counterproposals, and thus seeking to arrive at a satisfactory basis for the cooperative action of a union or unions and a management or managements. Bargaining implies that discussions are undertaken in good faith; they must, in other words, represent an earnest effort to arrive at an agreement. Negotiation and bargaining are frequently regarded as synonymous, although it is possible that negotiation may be undertaken even though no formal collective agreement is expected, as is the case in certain public employment.

Negotiation may be an extensive, intensive, and lengthy process. In many cases, negotiators find careful study and lengthy preparation essential as a preliminary to actual discussions. Analysis of the economic position of firms involved, of wage structures in related firms, industries, and localities, of wage and nonwage provisions of other agreements, and of the legal status of various proposals may require many hours of careful study.

For the union, actual negotiation must be preceded by decisions as to what changes, if any, are to be sought in existing agreements, or—in the case of first contracts—what demands shall be made. Agreements usually provide that each party shall be notified of changes to be proposed by the other 30 or 60 days before termination of the current contract. In local bargaining, a small negotiating committee may be appointed to draw up proposals for change. In larger units, a policy committee composed of representatives from locals may be created for this purpose. When such committees or subcommittees have canvassed the situation, considered the factors they regard as important yardsticks and criteria, and formulated their recommendations, they present them to the membership or their representatives for ratification. Once they have been approved, these proposals may be presented to managements as a basis for actual bargaining. As may be noted, the process must begin several months before termination of existing agreements.

In the negotiating process, authority granted to those who represent the union varies. Generally, of course, managements—represented by individuals or a negotiating committee—seek to secure concessions. Unionists have to anticipate these compromises and authorize representatives to "give" within specified ranges. On the other hand, if employers appear unwilling to meet minimum demands, negotiators may find it necessary to submit the "best offer" of employers to their members.

Both union and management representatives use a variety of techniques to secure their objectives. Bargaining sessions may change rapidly from calm discussion of detailed proposals to clashes of personalities and sharp exchanges and name calling. In many negotiations, each party seems to be trying to wear the other out, to secure agreement by exhaustion.

If negotiators appear completely stalemated, mediation and conciliation agencies may be called in to aid the parties in finding some acceptable middle ground. As noted in Chap. 4, such services are provided by local, state, and Federal governments.

When agreements are concluded, the terms thus established must be clearly explained to all local officers and members. Copies of the agreement are given wide circulation. In some cases, international unions prepare special digests of the clauses, indicating the interpretations placed by union negotiators on the terms thus established.

Administration of the agreement refers to the day-to-day interpretation and application of its provisions. Neither management nor the union can properly assume that once an agreement is concluded, it will automatically settle all differences and maintain a spirit of enthusiastic cooperation. On the contrary, agreement on terms of the contract is but a first step, although it is an important one. As the parties seek to cooperate under its terms, questions as to their meaning may frequently arise. Problems not foreseen while negotiations were in process may emerge. Differences of opinion as to the meaning of the agreement may create dissatisfactions as well as formal grievances. Unauthorized "quickie" strikes may take place. If, as is frequently stated, poor administration of a law can ruin a good statute, it is equally true that faulty contract administration has often rendered a good agreement unsatisfactory to both parties.[1]

4.1 *Major Terms and Questions.* What are the more important provisions generally included in collective agreements? Actual provisions or contract "terms" vary so widely that compilations of selected clauses on individual items frequently run to several hundred pages. Digests of contract terms may be found in several labor reporting services, which

[1] See, in this connection, Leonard J. Smith, *Collective Bargaining*, New York, Prentice-Hall, Inc., 1946, Chaps. IV and V.

classify contract clauses and note the interpretations and implications of various provisions.[1] The Federal Department of Labor has released detailed summaries and analyses of these clauses, and several university industrial relations centers, institutes, and sections maintain classifications of contract clauses in which the provisions of local agreements are catalogued.[2]

Here it may be appropriate to note the principal subjects with which clauses deal and to consider briefly some of the major issues currently discussed with respect to these subjects. No simple and, at the same time, entirely satisfactory classification of such clauses is possible, for the subjects with which they deal are interrelated and interwoven. Thus, for example, clauses dealing with "wages" may involve premium rates for overtime and thus necessarily refer to hours. At the same time, overtime may be made available on a seniority basis and thus involve promotions and transfers. This is but one of several possible illustrations.

A 1942 outline of "Union Agreement Provisions" (*Bulletin* 686) published by the Bureau of Labor Statistics and reflecting the Bureau's analysis of several thousand agreements lists 28 major categories or classes of contract clauses, including: preamble and purpose clauses; union status; general wage provisions; wage adjustment plans; incentive wage plans; time studies and standards of production; guaranteed employment or annual wage; dismissal compensation; vacations; hours of work; overtime; shift operations; Sunday and holiday work; leave of absence; seniority; layoff and reemployment; promotion, transfer, and assignments; discharges and quits; grievance adjustment; arbitration; strikes and lockouts; enforcement; plant efficiency and technological change; apprentices and learners; health, safety, and insurance; miscellaneous provisions; extension of scope of the agreement; and duration and renewal. In a post-World War II revision of this report, the Bureau gave added emphasis to union security clauses, military service leaves, and week-end work and added a section on union-management cooperation.[3]

Each of these clauses involves numerous questions or issues that must be decided by those who negotiate them. Each must be interpreted by

[1] See, for example, the Prentice-Hall *Collective Bargaining* volume of their *Complete Labor Equipment;* the Bureau of National Affairs "Collective Bargaining and Contract Clause" service; the *Labor Coordinator* of the Research Institute of America; and the Commerce Clearing House *Labor Law Service.*

[2] Particularly useful in this connection are several U.S. Bureau of Labor Statistics publications, including "Union Agreement Provisions," *Bulletin* 686 (1942), and the series of *Bulletins* entitled "Collective Bargaining Provisions" and numbered 908-1 to 908-10, released over the period from May, 1947, through October, 1948. See also Alton W. Baker, "Provisions of Collective Bargaining Contracts in the Ohio Retail Lumber Trade," *Research Monograph* 54, Columbus, Ohio State University Bureau of Business Research, 1949.

[3] *Bulletin* 908, U.S. Bureau of Labor Statistics.

the day-to-day administrators of effective agreements. For example, a clause dealing with hours must not only state how many hours shall constitute the accepted work-day and work-week. In addition, parties may wish to specify which days and which hours. Further, they may face such questions as these: shall there be more than one shift? If several shifts are to be employed, shall employees rotate, moving from one shift to another? If employees are hired for specific shifts, do they have seniority rights on all or some other shifts? Shall certain employees be given priority to work on the day shift? Shall evening and night shifts be paid a differential over the day shift, and, if so, how much? What provision shall be made for rest periods? Shall employees be allowed to "make up" time lost for justifiable reasons? Who is entitled to such overtime work as is available? Must employees accept overtime assignments? What provision shall be made for holiday work? What rules apply with respect to paid vacations? These are but examples of the numerous types of questions that arise in considering, negotiating, and administering each major clause.[1]

Many of these questions may become bitterly contested issues, either during negotiations or during the life of an agreement. It may be well, therefore, to note some of the most sharply contested issues, as indicating the significance of the various clauses, both to those directly affected by them and to the public which always feels the repercussions of labor conflict.

4.11 *Wages and hours.* The central and frequently most extensive sections of collective agreements seek to outline basic financial provisions. Declarations with respect to wages may vary from a simple statement reaffirming existing rates and schedules to the actual specification of rates on each job classification included in the coverage of the agreement. Wage clauses may state the formula or procedure to be used in setting rates on new jobs or settling arguments over such rates. They may refer to methods of timing jobs and establishing standards of performance. They may include "escalator" or "sliding scale" provisions by which rates are automatically adjusted to changes in living costs or other criteria. Wage clauses also frequently specify incentive wage provisions, although unions have often opposed such arrangements.[2]

Provisions with respect to establishment of production standards as a basis for wages may be quite complicated. They necessarily involve questions as to what units of time shall be considered in calculating output and whether employees on incentive may take as much leisure as they

[1] For more detail on such questions, see Leonard J. Smith, *Collective Bargaining*, New York, Prentice-Hall, Inc., 1946.

[2] In this connection, see Van D. Kennedy, *Union Policy and Incentive Wage Methods*, New York, Columbia University Press, 1945.

desire or may "store up" output from one day to another. In 1949, the entire Ford Motor Company was involved in a costly strike over the question as to whether management might accelerate the speed of the production line to make up for time lost within a particular day. Many questions arise as to how standards of output shall be set, whether the union shall participate in time studies, and when standards shall be changed.

Wage provisions may refer to *job evaluation*, a procedure in which job rates are adjusted to compensate for variations in responsibilities, duties, skills, and working conditions in various positions. In many cases, unions have insisted on job evaluation; they have found that it tends to aid in explaining wage differentials among jobs to their members. On the other hand, some unions oppose job evaluation, holding that it involves complications that may confuse employees and handicap the union in its bargaining.

Wage clauses also reflect differences in opinion with respect to *escalator* or "cost of living" clauses. Some unions favor these "automatic" provisions, because they simplify upward wage adjustments in periods of rising prices. Other unions are not enthusiastic about them. Their opposition reflects a fear that their inclusion may give employees the impression that their union is not particularly necessary. More important, they tie wages to a fixed level and fail to provide for a rising living scale.[1]

4.111 ABILITY TO PAY. Among many wage issues that have occasioned extensive controversy, the question of an employer's ability to pay as a criterion of wage rates deserves a prominent position. When profit levels are relatively high, many unions cite this condition as a justification for higher wages. When, on the other hand, profits are low, some unions argue that such a consideration deserves little concern, that wages must be maintained at high levels, whether or not business is profitable. Many employers, on the other hand, insist that no consideration should be given to levels of profits, that ability to pay is only important if an employer would be unable to remain in business if wages were raised as proposed by the union. Thus, they raise the question of ability to pay when profits are low and seek to avoid it when this condition is reversed.

Actually, ability to pay is probably always in the background as an important consideration in wage negotiations. On the other hand, it is not satisfactory as a sole criterion of wages. For it would disorganize the labor marketing process by introducing or increasing the multiplicity of rates in individual markets, thus precluding the "standardization" long sought by unions and adding to existing differentials. Also, it would tend to move manpower toward more profitable firms, thus increas-

[1] See Woytinsky, *op. cit.*, pp. 104–119, 146–171.

ing supplies available to them and laying a foundation for wage reductions. At the same time, movement away from less profitable firms would tend to reduce labor supplies available to them. In essence, dependence upon ability to pay as a sole criterion would work against most of the controls presently employed by unions.

4.112 OTHER WAGE CRITERIA. "Ability to pay" is by no means the most frequently considered criterion in wage discussions. Several others are more commonly advanced. Most prominent, perhaps, is the level of wage rates in other concerns—those in the same industry within the locality or in other localities, and those in other industries employing similar types of wage earners. Controversy frequently arises, in such discussions, over the comparable nature of jobs and of personal requirements for them. Changes in costs of living are also frequently regarded as relevant. Comparisons may be made with wage changes in other industries regarded as setting a "pattern" for wage adjustments. Little attention is generally given to the impact of wage adjustments on the economy as a whole (although employers frequently insist that they are seeking to protect the public), but that consideration was mentioned in the report of the fact-finding commission for the steel dispute in 1949. Interplant comparisons are probably most important in local bargaining; while interindustry relationships assume a major role in industry-wide negotiations.

4.113 APPRENTICE AND LEARNER RATES. Wage clauses generally provide special reduced rates as well as other regulations for apprentices and learners (see Section 2.4 above). They may limit numbers of such employees and specify maximum periods of probation or training, seeking thus to prevent employers from using trainee status as a basis for reduced wages.

4.114 ANNUAL WAGES. Another controversial issue encountered in negotiations involving wages has arisen out of frequent union demands for guaranteed wages or employment. Such demands for an "annual wage" seek agreement by employers to assure employees a minimum wage each week for a stipulated number of weeks in each year. Some proposals suggest that employment be provided as a basis for this guarantee, while others merely seek assurance that wages will be paid. While a number of such plans are in effect, most employers have argued that they cannot give such assurance, that the derived nature of demands for manpower forces fluctuations in output and employment.

The CIO wartime proposal for such wage guarantees and the subsequent OWMR report on this subject have been noted in Chap. 9 (see Section 5.3). That report indicates increased possibilities of stabilized annual wages through combination of unemployment compensation with increased flexibility in hours of work from week to week.

4.115 DISMISSAL COMPENSATION. Demands for severance pay may also be reflected in wage clauses. Under such grievances, employees who are discharged without prejudice may be entitled to lump-sum or weekly or monthly allowances for a stipulated period. Amounts are usually based on wages or salary at the time of separation and length of service.

4.116 WORKING HOURS. Many considerations with respect to wages cannot be readily divorced from those involving hours of work. At the same time, provisions with respect to working hours raise many additional questions. Some of these questions have been noted in the preceding section. Many others might be added; for example, how shall employees be compensated when they arrive on the job to find no work awaiting them—the question of "minimum call-in pay"? What minimum of "call back" pay shall be provided for situations in which employees are asked to return to the job after they have left the plant for the day? Questions as to how working hours and overtime shall be calculated have attracted widespread public attention in connection with discussion of "portal to portal" pay. Other questions with respect to overtime rates have become increasingly important since the Fair Labor Standards Act has required payment of premium rates in covered industries.

4.12 *Fringe items.* An integral part of terms involving wages and hours is made up of provisions that refer to "fringe items"—clauses that require extra paid vacations and holidays, shorter "basic" work-week (that compensated at straight time), call-in and call-back pay, sickness and health benefits, and sick leave. They have become increasingly important as features of collective agreements in recent years. More than thirty forms of these nonwage means of compensation were authorized by War Labor Board decisions and rulings. Since World War II, several of them have attained prominence in negotiations, especially demands for pensions and those proposing health and welfare plans. Pension demands seek to supplement benefits available through the Social Security Acts. Sickness benefits are advanced to supplement those already provided by some unions (see Section 7.2 of Chap. 17) and also to secure support from employers for these types of benefits. While many employers have sought to avoid responsibility for such fringes—hoping to restrict the area of bargaining—they have come to be a part of a large proportion of existing agreements.

4.121 WELFARE PLANS. The purpose of many fringe payments—aside from those involving premium payments for overtime, paid holidays, vacations, and minimum call-in and call-back pay—is to provide insurance, added pensions, and health and welfare programs. Proposals for these programs have given rise to new questions and issues. Shall indi-

vidual managements be expected to assume responsibilities for the long-term welfare of their employees? Shall unions be permitted to accumulate and control the large funds provided, for example, by the 20 cents per ton of coal negotiated for these purposes by the United Mine Workers? Shall employers pay the full cost of hospitalization, medical care, and supplementary pensions proposed by numerous unions?

4.13 *Union recognition and security.* Current differences of opinion with respect to union security have already been described in Section 2.1 of this chapter. As noted there, these issues are among the most controversial in the entire field of union-management relations and have become matters on which the public has found it necessary to establish ground rules. From the viewpoint of unions and unionists, as has been explained, the question thus raised concerns the whole status of unions in modern society—whether they are merely to be tolerated and allowed to struggle for existence or granted something approximating permanent acceptance and status in current industrial relations.

Security clauses raise questions that are closely related also to the question of union "responsibility" (see Chap. 18, Section 6.0), for the latter assumes a degree of established authority on the part of unions through which they may control and discipline their membership.

4.14 *Management clauses.* Many current agreements contain a "management security" clause designed to reassure management that it will not be prevented from performing essential functions by intervention of the union. Such clauses reflect the frequent feeling by managements that collective bargaining may so restrict executives and supervisors that they cannot make essential decisions and take necessary action in the interests of efficient and profitable operation. In some cases, these clauses merely state that all authority not expressly granted to the union by the collective agreement is automatically reserved to management. Other forms of this clause specify the functions that are the sole responsibility of the management, mentioning, for example, planning and scheduling of production, purchasing of raw materials, establishment of quotas and product prices, direction of sales forces, determination of facilities to be used, and other similar responsibilities.

Current clauses appear to have at least temporarily reduced what was formerly an acrimonious conflict over what were widely described as "management prerogatives." Bitterness arose over the insistence by many managements that collective bargaining forced inefficiency by interference with managerial action. Defenders of the "prerogatives" argued that a management must have a free hand to set standards, discipline employees, enforce shop rules, and otherwise determine policies and practices in the organization. On this basis, many if not most union demands appeared likely to handicap or restrict efficient management.

Every new proposal by labor organizations was described as a further encroachment on management prerogatives.

4.141 CONTROL OF OUTPUT. One much-discussed managerial function involves establishment of standards of output. Unions have long sought a hand in this process, while many managements insist that setting standards and determining levels of production are the very essence of the management function and that unions are not qualified to participate in it. Many compromise arrangements now allow a union to employ skilled time-study engineers who may join management's representatives in setting standards or may check these standards after they have been set by management. On the other hand, over-all quotas for units and plants are generally not determined by bargaining or agreement.

On the other hand, however, unions frequently set informal standards of individual performance. Reference has been made to "standardization" as one of the basic principles of collective bargaining. According to this principle, unions must have something in the nature of a "standardized" service to sell if they are to demand a "standardized" rate of pay. Of course, there is the counterargument that the union "scale" is only a minimum rate, that employers may pay more for superior employees. But the tendency for the scale to become the accepted rate is quite obvious. Only in extremely tight labor markets will employers pay premium rates. This practice of "snowballing" in tight markets does not usually discriminate among potential employees on the basis of quality.

Unions may sometimes do more than set minimum qualifications in the process of "standardizing" the services they sell. They may restrict or limit output, as well. Their rules and informal instructions to members on this point have been widely publicized. As early as 1921, a report of the Lockwood Investigating Committee, appointed by the legislature of the state of New York, presented an extensive description of such practices. That investigation and subsequent reports indicate that the most frequently used devices include: (1) simple prohibitions of "rushing"; (2) limitations upon piecework, which indicate, for instance, how many bricks may be laid per day, how many radiators placed, or how great an area roofed; (3) limitations upon the amount of pay that may be drawn; (4) limitations upon the number of hours that may be worked; (5) limitations upon the tending of machinery, which usually provide that no employee shall serve more than a specified number of machines; and (6) limitations upon the size or type of tools. It may be provided, for instance, that a painter shall not use a brush of more than 4 inches in width on certain types of work. Not infrequently, "standby," "make work," and other featherbedding rules actually require employment of union members who are not needed and who do no work. Unions often

argue that such practices are necessary to spread employment or to stabilize it, or as health or safety measures, as in the case of standby electricians, two-man operation of streetcars, and "full crew" rules on railroads.

Lest the conception of restriction of output become identified only with practices of this sort indulged in by labor organizations, it must be understood that such tactics are not limited to organized employees. Intentional restriction of output has been found in the employment of nonunion employees in a wide variety of occupations.[1]

Economic implications of such practices are to be given later attention. Here, however, it may be indicated that many unionists justify such restriction as means of spreading work and of protecting their health. Many of them also apparently accept what has been described as the "lump of labor" theory, which holds that there is so much work to be done, regardless of labor costs. They recognize no elasticity in demands for labor; they do not see that the price of labor may affect the quantity that will be employed. On this basis, they attempt to get as much per hour or per day as possible. They seek to attain this result by reducing the amount that can be performed by an individual member within any given period.

Many leaders of organized labor do not accept this viewpoint. They recognize possible hazards to employment in action that increases unit labor costs. They may find justification for some "bogeys" and other forms of output limitation in terms of employee health. But they may oppose many of the usual restrictive practices.

4.15 *Discharge and discipline.* From the standpoint of both a union and its members and from that of most managements, clauses dealing with discipline and discharge are of great significance. They, too, raise many controversial questions. Managements frequently argue that their rights to discipline employees cannot be restricted if they are to maintain efficient operations. Union members, on the other hand, find the protection provided by the union against arbitrary disciplinary action among the greatest personal values of unionism. They gain a great measure of personal security from provisions prescribing a formal procedure for disciplinary action. For example, clauses may require a number of oral and written warnings before an employee may be discharged. Another frequent provision makes all disciplinary action reviewable through the grievance machinery provided in the agreement. The frequency with which such cases appear in terminal arbitration attests both the importance attached by employees to the protection

[1] See Stanley B. Mathewson, *Restriction of Output among Unorganized Workers*, New York, The Viking Press, Inc., 1931; John Hilton and others, *Are Trade Unions Obstructive?* London, Victor Gollancz, Ltd., 1935.

against arbitrary penalties and also the sharpness of the issue in the minds of both unions and managements. The latter frequently cite situations in which a management's inability to discipline employees results in serious hazards to other wage earners and perhaps to the public. Thus, for example, an air line argued that it could not discipline a pilot who frequently digressed from his approved flight plans, and a trucking firm and a railroad both insisted that they could not refuse employment to drivers and engineers who appeared on the job with notable evidences of having been drinking. These examples suggest what appears to be true, *i.e.*, that no entirely satisfactory pattern for adjusting these issues has been developed.

4.16 *Grievances.* Most current contracts include provisions for a formal grievance procedure, *i.e.*, an arrangement whereby expressions of dissatisfaction from employees may be assured full consideration and settlement. Details of procedures vary, but they usually include a series of "steps" through which grievances may be carried. In the first step, for example, the employee and his union representative (usually the shop steward) present the grievance to the appropriate foreman. If they do not secure satisfaction, they may then take it to a formal, plant-wide grievance committee, then to a higher level of authority in the firm and in the union, and perhaps ultimately to arbitration by a neutral third party.

Such grievances arise from a variety of circumstances, some of which have been indicated in earlier paragraphs. The wording of agreements may not be clear, as, for example, in the statement that specified holidays shall be paid for though not worked. What if the holiday in question falls on Sunday or another day on which no employment is customarily provided or compensated?

In other situations, negotiators may have inadvertently included inconsistencies or "blank spaces" in the agreement—for example, conflicts between provisions for overtime and those for seniority. Again, a provision that sounds reasonable may involve a serious unfairness to a few employees whose unusual circumstances—blind-alley jobs, isolated work places, or personal characteristics—were overlooked during negotiations. Managements and employees may attach different meanings to terms used. For example is a "key job" one requiring unusual skill, or one involving large numbers of employees, or one which directly affects performance in other operations—or is a combination of these conditions necessary? How serious must a "breakdown" be to justify calling in maintenance specialists—electricians, millwrights, machinists, carpenters? What is the difference between "adjusting" a machine—a task frequently regarded as appropriate for foremen and supervisors—and repairing the same machine?

A difference of opinion exists (and appears in many negotiations) as to whether grievance procedure should be available for all grievances or should be limited to issues arising out of the application and interpretation of the contract. Those who favor no restrictions point to the fact that these sources of irritation should be removed, regardless of contract provisions. Those who believe that grievance procedure should be limited to disputes arising under the contract argue that the broader use of grievance procedure may permit issues that should be bargained to be settled by an outside, neutral party through arbitration. If that is to be done, they argue, there is little point to collective bargaining.

Wide differences of opinion exist also as to the detail with which grievance procedure should be "spelled out" and the attitude with which such procedure should be utilized. Some managements and unions—those which prefer to work "at arm's length" from each other—want a detailed procedure and seek to apply it with rigorous and legalistic precision. They want exactly what appear to be their rights under a literal translation of the existing agreement. Other unions and managements prefer an informal approach to grievances in which both parties seek to discover causes and not only arrive at an equitable settlement but make such adjustments as appear likely to prevent recurrences.[1]

Another question frequently raised concerns management's privileges under the grievance procedure. May management file grievances? The question is usually given an affirmative answer, but in most organizations management seldom files grievances. For managements must make decisions and take action to keep operations going. Hence, rather than wait for a determination of issues through the formal procedure, managements usually act. If an employee believes he has been injured by such action, he may then file a grievance.

4.161 TERMINAL ARBITRATION. Differences appear also in attitudes toward the use of arbitration as a final stage in the grievance procedure, although this provision is widely included. Both managements and unions may be reluctant to allow an issue to be settled by an outside party. Either may be so confident of its own strength as to prefer settlement on that basis. Practice has unquestionably tended to include provision for final and binding arbitration as the last step in the grievance procedure.

Specific provisions for arbitration vary. Some agreements specify a single neutral arbitrator, others a panel. Several industries have tended to shift away from *ad hoc* arbitration in favor of permanent impartial chairmen or umpires—as in rubber, steel, automobiles, leather goods, and many others. (See also Chap. 4, Section 7.5.)

[1] See, for example, Frederick H. Harbison and Robert Dubin, *Patterns of Union-Management Relations*, Chicago, Science Research Associates, 1947.

4.162 STRIKES AND LOCKOUTS. Many current agreements include declarations that neither party will resort to work stoppages except under specified conditions and after all other means of adjusting differences have failed. Some tendency toward more general use of such clauses is evident. From management's standpoint, they are desirable not only as insurance against interruptions—especially outlaw strikes and "quickies"—but as suggesting the contractual responsibility of unions and their members. On the other hand, unions frequently point to the fact that arbitrary or unreasonable managerial action—by foremen or supervisors, for example—may provoke walkouts and, at the same time, place the onus and responsibility for such stoppages on the union. Hence, many unions are reluctant to sign "no-strike" agreements.

4.17 *Transfers, promotions, layoffs, seniority.* Provisions with respect to the "right" to work—to remain on the job as long as possible, to be recalled from layoffs, and to be promoted—are obviously of major importance to individual employees. They are a protection against favoritism and discrimination. On the management side, formal rules governing these procedures are restrictive and for that reason have been grudgingly granted and strongly opposed. Many managements have frankly insisted that they should, in the interests of efficient operations, lay off less productive employees first and recall them last, and that they —managements—should decide who is to be promoted or transferred.

The most frequent union proposal in this area seeks to make seniority—length of employment in the firm—the major determinant in all layoffs, recalls, transfers, and promotions. Usual contract provisions establish procedures for promotions, transfers, layoffs, and work assignments based on the length of previous employment. At the same time, they define the *range* of seniority, the numbers and types of jobs that are included in its coverage. Seniority may be departmental, or it may be plant-wide, or it may have a more complicated basis. In any case, seniority provisions indicate who has the right—on the basis of length of service—to higher paying jobs, who may be laid off first, who must be recalled first, and within what areas these rights apply.

Sometimes provisions establish "superseniority" or "synthetic" seniority. In the first, certain employees—generally union shop stewards and grievance committee members—may be granted seniority over all other employees, regardless of length of service. In the second, military service or employment elsewhere that is regarded as justifying special approval is included in calculations of length of service to provide synthetic seniority status.

Some of the major economic implications of seniority are considered in Chap. 20 (Section 3.3). Here it may be noted that the issues involved are among the most hotly contested in the entire bargaining process.

Questions of the reasonable and proper application of seniority provisions are probably the most frequent cause of grievances. While seniority in layoff and recall is rather generally accepted, arguments as to the relative weight to be accorded seniority and ability in promotions still occupies much time in grievance settlement and contract negotiation. If any general trend may be described, it appears to involve a procedure that makes ability the first requisite, after which seniority prevails. That, however, leaves ample room for argument as to who has adequate ability and how that condition is to be determined.

Meanwhile, the tendency to accept seniority as a basis for layoff and recall probably operates to provide a degree of employment security for many—particularly older wage earners—who would otherwise be unemployed whenever any reduction in work forces appeared necessary. Younger employees are frequently more mobile; they may find other employment. Somewhat the same conclusion may be justified with respect to employees who are relatively inefficient for reasons other than age. They may be prevented from becoming a part of the "hard core" of unemployment by seniority provisions.

4.171 LEAVES OF ABSENCES. Provision for several types of leave of absence has become an established part of many collective agreements. Leave for personal reasons, sick leave, maternity leave, military leave, and leave for union business are among the prominent forms. A primary question involved in all such provisions concerns the retention of status and seniority by those on leave. Similarly important is the question as to whether leave is to be paid, unpaid, or partially compensated by the employer.

Paid sickness and maternity leaves may be regarded as portions of or closely related to the fringe issues already described. Military leave clauses may or may not provide for payment of wages. Managements frequently argue against the cost of such paid or partially paid leave provisions. With respect to other types of leave, major questions concern the conditions under which leave shall be granted and those governing the return to work after leave is completed. Clauses generally specify the form and timing of requests for leave and penalties for disregarding these stipulations, together with procedures to be followed in returning to the job.

4.18 *Scope and duration.* In the United States and Canada agreements generally specify a definite term, most commonly one year, although some extend for two or three years. They may include a "reopening clause," usually restricted as to the subject to be negotiated if the contract is reopened. Thus they may provide that the contract may be reopened with respect to wages once during its term.

Many agreements provide that they shall remain in force until super-

seded by a subsequent agreement. This procedure is comparable to British practice, in which no term is generally specified. Many others include provisions for extension if parties have not agreed on a new contract.

Any agreement may, of course, be modified or extended in coverage at any time by agreement of both parties. In some cases, however, specific procedures are outlined for such revisions and additions. In many bargaining relationships, employers and unions have long agreed that issues that cannot be settled by negotiation shall be submitted to final and binding arbitration. This is, of course, voluntary arbitration. The Amalgamated Union of Street Railway Workers, for example, has for many years included such a provision in its agreements, as have many of the printing and graphic arts industries and unions.

Practically all collective agreements are put in writing. There was a time when many were not, but since willingness to "put it in writing" has been held to be an essential evidence of good faith and elementary in the legal responsibility to bargain collectively, the written form has become firmly established. Most agreements are mimeographed or printed, so that each employee covered by the agreement may have a copy.

QUESTIONS AND EXERCISES

(Questions and Exercises for this chapter are combined with those in the following chapter.)

Chapter 17

Policies and Practices of Labor Organizations (*Continued*)

5.0 Conflict Tactics and Devices

When negotiations fail, or when disagreements involving the terms of contracts cannot be peaceably adjusted, or when employers resist organizational efforts of unions, bargaining may be replaced by displays and applications of economic force. Employers and their associations may lock out employees and seek to develop public opinion in support of this or other employer action. Unions, in such situations, use a number of techniques and devices, of which the most common are the strike, picketing, and boycotting. Brief attention may well be directed to these conflict techniques.

5.1 *The Strike.* Strikes represent one of the most spectacular phases of union activity. They captivate the imagination. They frequently occasion sufficient public inconvenience to bring a realization of the existence of labor disputes into the focus of popular attention. They probably receive, for this reason, rather undue emphasis.

Strikes are sometimes regarded as the first step taken by unions in efforts to secure desired concessions. It is sometimes insisted that union leaders are anxious to call strikes because they rally members and demonstrate the leader's authority and power. On the contrary, however, most competent union leaders regard the strike as a last resort. Although new, partially organized unions may occasionally use the strike upon slight provocation, most unions consider the strike a drastic, final stroke, to be used only when all other efforts have failed. For this reason local unions are frequently required to secure the consent of their internationals before strikes may be called. Alert officers and members are aware of the costs of strikes in terms of lost wages and of strike benefits paid out of union treasuries. Officers are aware, too, of their possible loss of prestige if a strike proves to be a long-continued affair or does not gain concessions.

Types of strikes have been described in Chap. 4, so that no special classification is justified here. It may be noted, however, that strikes might have been discussed earlier in Chap. 16 in connection with the description of organizing activities. For the strike has been frequently used in this connection, as a means of forcing recognition and securing bargaining rights. Less use is made of the strike for this purpose since

enactment of the National Labor Relations Act, for that law establishes elections as the proper means of demonstrating the right to represent employees and thus removes one important area of dispute.

Governmental intervention to define bargaining units and certify bargaining agents has removed these issues as major causes of such stoppages. For the most part (except for small outlaw and "quickie" demonstrations), strikes result from the breakdown of negotiations. They occur after agreements have expired, when parties cannot find a common ground for settlement of conflicting demands. In such situations, the threat of a strike may be a powerful bargaining influence, an indispensable element in the union's negotiating armory. In many instances, unions may feel it necessary to follow through on that threat, no matter how reluctant they may be, in the interests of successful future negotiations. Losses to the union and the membership must not be appraised simply in terms of immediate gains. They should also be balanced against the bargaining strength thus demonstrated as it may be applied in future negotiations.

5.2 *Picketing.* An almost inevitable accompaniment of the strike is picketing, a practice that consists of placing a number of representatives of the union about an establishment with which the union has a dispute. Pickets seek to direct popular attention to the fact that a conflict exists. They may also seek to explain, orally or by means of banners or handbills or otherwise, the grievance that the union believes justifies the dispute. They usually urge patrons to trade elsewhere and thus try to prevent employees, including members of the striking union, from working there. Picketing may be limited in the activity it involves merely to the posting of labor guards, who, like sentries, walk back and forth carrying banners or distributing handbills, or it may include numerous more strenuous techniques such as speaking to each passer-by or possible employee and ridiculing, threatening, or intimidating those who propose to accept employment or conduct business with an offending employer.

"Mass picketing" refers to the practice of providing pickets in such numbers that it is difficult for individuals to penetrate the picket line. "Peaceful picketing" is not readily defined; it has been the subject of extensive litigation. It implies the use of persuasion only, without intimidation or coercion. "Stranger picketing" is the term applied to employment of pickets who are not employees of the picketed establishment. "Scabbing" is the acceptance of jobs vacated by strikers during a strike.

5.3 *The Boycott.* Another widely used device in situations involving conflict is the boycott. The practice was first proposed in the United States by the Knights of Labor. It involves, according to Laidler,[1] "a

[1] *Encyclopedia of the Social Sciences,* 1st ed., Vol. 2, pp. 662–664.

concerted effort to withdraw and to induce others to withdraw from economic or social relations with offending groups of individuals." In its ordinary form, it usually includes a definite campaign calculated to prevent the use of a certain product or service distributed by an employer. It is an attempt to destroy the market for products or services and to prevent continued operation by the offending employer.

Two types of boycotts are usually described. The "primary boycott," as maintained by a union, represents an agreement among members that they will not patronize a certain employer, will not use his products. A "secondary boycott" appears when those primarily concerned seek by coercion to force the cooperation of disinterested third parties in their program. They try, for example, to induce other patrons not to use certain products. These others may be employees in different trades or occupations, dealers in the product, other local citizens, or the public as a whole.

Not infrequently boycotts have resulted from a strike or lockout. Striking employees may agree that they will not use products manufactured or distributed by an offending employer, or they may seek to dissuade other employees and friends within and without the ranks of organized labor from using boycotted products. One of the most common methods of establishing and maintaining such a boycott in the earlier days of organized labor consisted of publication in labor papers and magazines of an "unfair" or "we-don't-patronize" list, in which were recorded the names of objectionable firms or products.[1]

5.4 *Public Interests in Labor Conflicts.* The public is inevitably drawn into labor disputes that degenerate into open conflict. Few strikes can be carried on without involving "innocent bystanders," disinterested third parties. Most picketing is intended to influence the public as well as potential employees. Boycotts, if they are to be effective, must be directed at third parties. Inconvenience to many persons not involved in a dispute is almost inevitable. Many disputes may threaten health or the maintenance of essential public services. It is for that reason that public provision has been made for extensive local, state, and Federal conciliation and mediation services, already described in Chap. 4. The same considerations explain compulsory delay or "cooling-off period" legislation at state and Federal levels. A later chapter is devoted to these problems of public policy.

6.0 Political Policies and Practice

Unions affiliated with the AFL have traditionally maintained a nonpartisan political position. They have sought to avoid the disorganizing influence of partisan politics, preferring to endorse candidates rather

[1] Employers have sometimes used a somewhat similar device which represents another form of boycott. It is called the "black list" and consists in the maintenance of a list of

than parties. In 1895, the constitution of the Federation was amended to provide that "party politics have no place in the conventions of the American Federation of Labor." Although strenuous efforts were made to secure a revision of this policy during the presidential terms of Franklin D. Roosevelt and more particularly after passage of the Taft-Hartley Act in 1947, AFL unions have generally followed a policy of "rewarding friends and punishing enemies," thereby ignoring party lines and placing major emphasis upon the attitudes of candidates toward issues that are of concern to labor. This practice has not prevented union officials from endorsing candidates or from seeking political office. Neither has it prevented campaigns to mobilize local as well as national membership to secure enactment or repeal of certain legislation. In 1948 and 1949, for example, the AFL set up a special committee to campaign against the Taft-Hartley Act.

Most organized labor in this country has generally indicated, both in statements of policy and in action, its opposition to a separate labor party. Several reasons explain this position. The earlier experience of those organizations that stressed an interest in partisan politics, including the Knights of Labor, indicated certain hazards to be faced by labor organizations that emphasize political programs. When members become divided in their support of particular political policies, organizations find it difficult to maintain their integrity. Another reason often given for the absence of a labor party is the fear that if labor should become organized on a political basis, its leadership would pass into the hands of radicals. Fundamentally, these reasons reflect a widespread belief that political and economic ambitions do not necessarily coincide, that revolutionary unionists can be expected to grasp a unified political and economic program and seek to control it, and that economic reforms can best be advanced by collective bargaining through strong unions.

The CIO and unions affiliated with it are less convinced of the desirability of such a nonpartisan position. They have frequently indicated a belief that labor must become more active in politics. As early as 1937 and 1938 they entered political campaigns in municipal elections in Detroit, Seattle, and several other cities, and in a number of states. The needle-trades unions, also, have taken an active part in organizing the American Labor Party. The CIO created Labor's Non-partisan League and the Political Action Committee. The PAC exerted considerable influence in the national elections of 1940. In general, the CIO has been more favorable also to the intervention of government in industrial relations than has the AFL.

CIO experience has, however, provided further evidence of difficulties

employees who are known as trouble makers or agitators. The circulation of this list among possible employers has sometimes proved an effective barrier to their employment.

to be encountered in mobilizing organized labor as a political force. After World War II, for example, several state and local industrial councils were drawn under communist domination, and many local organizations refused to support the national endorsement of democratic candidates, preferring to follow Henry Wallace's independent banner. After the Labor-Management Relations Act of 1947 required union officials to sign noncommunist affidavits in order that their unions might use facilities of the National Labor Relations Board, CIO national officers were forced to undertake a bitter and painful campaign against left-wing leaders of certain affiliated internationals and regional organizations.

Organized labor has long been articulate in its support of and opposition to specific legislation. The social security program and the National Labor Relations Act tended to increase labor's interest in such action. But the most potent force in encouraging organized legislative campaigns in recent years was enactment of the Taft-Hartley or Labor-Management Relations Act of 1947. Both AFL and CIO undertook campaigns to defeat the sponsors and supporters of this legislation in 1948. Many union leaders still fear, however, that if members come to place great dependence on government and laws, they will have less regard for the possible values of unionism.

For the nonpartisan policy of conservative unionism to be most effective, it is necessary not only to make union wants known but also to determine with accuracy the stands taken by officials and legislators on each issue. To attain these ends, organized labor makes recommendations with regard to specific candidates for all major offices. It opposes strenuously the election, appointment, or advancement of those it considers unfriendly to its interests and principles. Even where organized labor maintains its political aloofness, it has generally given careful attention to the presentation of its viewpoint in legislative chambers.

Unions engage in extensive lobbying activities. These activities affect the national legislature, those of each of the states, and those of many municipal bodies. As early as 1895, the AFL named certain representatives to be present during sessions of the national Congress. Since that time, the committee of two then provided has grown until the Federation and other organizations with which it cooperates, particularly the railroad brotherhoods, are now represented at Washington by a labor legislative committee of some forty members. National headquarters of the AFL were removed to Washington in 1897, and the executive committee of the Federation was made a resident body constantly available to represent labor interests to legislators and members of the executive branch of government.

The CIO maintains a similarly effective group of representatives. Activity of a lobbying nature in state capitals is one of the chief functions

of state federations of labor and state industrial councils. Committees from national and local labor groups attend national and state conventions of various political parties, present their organization's demands, and seek inclusion of favored measures in the political platforms arranged in conventions. Representatives report back to their constituencies on their reception and on the degree of cooperation they get from individual legislators and officials.[1]

7.0 Fraternal and Social Functions

The ancestry of modern unions is readily traced to yeomanry guilds. These associations of journeymen copied many of the characteristics of earlier craft and merchants' guilds, which, although they served business purposes, were also fraternal societies. Many modern unions retain the customs and traditions of fraternities or lodges. Within their meetings, members are addressed as "brother." Letters from one unionist to another frequently begin with the salutation, "Dear Sir and Brother." The titles of many unions indicate that they are "brotherhoods." Functions of modern unions also reflect these traditions of fraternal associations. Many unions provide fraternal benefits for their members. Unions also frequently serve as the focal point of social life for members and their families.

7.1 *Benefits.* Benefit features have been an important part of trade-union programs since shortly after the initial appearance of these organizations. Union benefits have been defined as "financial aids provided through trade-unions for members or the families of members whose wage incomes have been curtailed for reasons beyond their control or who face unusual expenditures."[2] There are three principal distinctions which differentiate these benefits from insurance, including the facts that: (1) benefit plans ordinarily apply to all members of the organization that provides them, whereas insurance provisions usually include only those who have taken some active steps to participate, including particularly the payment of premiums; (2) benefit plans have no complex policies, contracts, and individual variations—their provisions are usually simple and uniform; (3) benefit systems do not afford members the same legal claim against their organization as would prevail in an

[1] See, in this connection, Adolph Sturmthal, *The Tragedy of European Labor*, New York, Columbia University Press, 1943, pp. 3–15; E. Pendleton Herring, "Group Representation before Congress," *Studies in Administration*, Washington, The Brookings Institution, 1929, pp. 126*ff*.

[2] Harry M. Cassidy, "Trade-union Benefits," *Encyclopedia of the Social Sciences*, 1st ed., Vol. 2, p. 513; see also Adolph Held, "Health and Welfare Funds in the Needle Trades," *Industrial and Labor Relations Review*, Vol. 1, No. 2, January, 1948, pp. 247–263; Clyde E. Dankert, *Contemporary Unionism in the United States*, New York, Prentice-Hall, Inc., 1948, pp. 235–244.

insurance program. They are generally payable only if the union treasury is able to make such payments.

Benefit features of modern trade-unionism are modeled after similar features of the earlier guild system. In the guilds, traditions of mutual aid gained a prominent position. Associations cared for their members in sickness or disability. They made specific provisions to ensure respectable burial for them. As trade-unions developed, they assumed similar responsibilities for their members. Most of the early European unions included benefit features. The first labor organizations in this country showed a lesser interest in them, probably because of the greater emphasis placed on extensive political programs by early American unions. After the emergence of nonpolitical trade-unionism at the midpoint of the nineteenth century, however, benefit programs of American unions increased in importance. They have tended to become less important as social security, workmen's compensation, and similar legislation—together with group insurance provisions—have met many of the needs formerly served by union benefits. That, in part, is why they are most extensive in unions of skilled craftsmen and least developed in newer industrial unions. They are particularly important among railroad labor organizations.

Several types of benefits are paid by various contemporary organizations in the United States. Most common is the death benefit, with old-age, sickness disability, and unemployment benefits following, in that order. Individual death benefits amount to from $20 to $1,500; disability payments range from $50 to $800; sickness assistance varies from $4 to $10 per week for periods varying from 7 to 16 weeks per year; and old-age benefits range from $5 to $100 per month.

Total amounts expended for the various types of benefits by unions in the United States are reported from time to time.[1] From such reports, it is apparent that unemployment benefits have become less important since unemployment compensation is provided by law. Disability benefits, once very important in terms of cost, are now supplemented by workmen's compensation. To some extent, that legislation has also reduced the need for sickness benefits. The need for old-age benefits has been lessened by public pensions and assistance to the aged. Death benefits, in early years, took the place now largely filled by individual and group life insurance. AFL unions established and presently own the Union Labor Life Insurance Company, which now provides many of these policies. Some unions have group insurance programs providing death and disability benefits for their members.

Group insurance coverage and health and welfare programs provided

[1] See, for example, *Proceedings of the Sixty-seventh Convention of the American Federation of Labor*, 1948, p. 56.

jointly by employees and employers, have also tended to reduce the value of union benefits. The volume of group insurance has expanded rapidly in recent years.[1] At least one-third of the labor force is now included in the coverage of group life insurance.

Union benefits have some inherent advantages over these public and private insurance provisions. They are not subject to removal or discontinuance by the source that has granted them. They may be available without as much "red tape" as are public benefits. An employee does not lose his right to benefits when he changes employers, as is the case with many private insurance provisions. They may be available to tide the employee over waiting periods specified by legislation. Union benefits may also include services not provided by any other forms of assistance. For example, several unions maintain homes for aged members (printers, carpenters, railway engineers, conductors, and firemen). For all these reasons, union benefits, although of lesser importance than was the case in earlier years, are not likely to disappear. In 1949, AFL unions reported disbursements of more than 60 million dollars for benefits to members.

7.11 *Strike benefits.* Beneficial payments to members who are on strike have not been mentioned in preceding paragraphs, not because they are unimportant, but because they are of a somewhat different nature. Benefits paid by local or international unions to members who are on strike may run into large amounts. They vary greatly from year to year. While no actuarial calculations guide the accumulation of funds for other types of benefits, collections can be approximately related to probable expenditures on the basis of experience. For strike benefits, possibility of forecasting is more limited. The accumulation of a "war chest" for this purpose may not be popular with members. Hence, in actual practice, strike benefits may be paid out of whatever resources are available to the union. Moreover, members of the union who are working may assess themselves to provide strike benefits for those who are out. In a widespread strike involving large numbers of members, strike benefits may dissipate union resources quickly and completely. Hence, many unions are reluctant to guarantee such benefits.

7.2 *Health Program.* As was noted in Chap. 10, many unions have undertaken programs designed to supplement benefits and provide medical and hospital services for members. In part, these provisions have been financed by contributions from employers, but some of them represent unilateral action by unions. Unions have made arrangements with agencies providing hospitalization in several localities. They have

[1] See, for detailed reports, National Industrial Conference Board, *Studies in Personnel Policy*, No. 70, August, 1945; also references cited in the discussion of employee health, pp. 301 to 303.

entered into contracts with clinics and groups of physicians to provide medical and dental services to members. They have created medical and dental centers.[1] In recent years, they have developed well-endowed health and welfare funds, frequently financed by royalties on the product.[2] The most important types of benefits provided by these funds include life insurance (in 80 per cent of the plans studied); accidental death and dismemberment benefits, 80 per cent; sickness and nonoccupational accident benefits, 92 per cent; hospital benefits for employees, 88 per cent; hospital benefits for dependents, 28 per cent; surgical benefits for employees, 76 per cent; surgical benefits for dependents, 8 per cent; medical benefits for employees, 16 per cent; medical benefits for dependents, 4 per cent.[3]

7.3 *Social Activities.* Particularly in smaller communities, unions may represent the center in which many social functions converge. In larger cities, where members are widely scattered, unions and central federations and councils also undertake many functions that are best described as "social" or "fraternal." Numerous social, athletic, recreational, and educational activities may be provided for members.

The American Federation of Labor's *Handbook for Trade Unions*, under the heading "Social Possibilities within the Unions," contains numerous suggestions for making union gatherings pleasant and profitable. In furthering such social contacts, both indoor and outdoor recreational activities may be provided. Card parties, dances, dinners, stag parties, and a variety of lectures, plays, and other entertainments are frequently arranged. Women's auxiliaries are particularly active in planning and maintaining these activities. Outdoor sports include tournaments and games of all sorts, with most frequent emphasis upon baseball, boxing, and bowling. Football, basketball, tennis, golf, and swimming are also included in the programs of various organizations. Whole families are brought into this social life by means of family dinners, excursions, picnics, and similar celebrations.

7.4 *Counseling.* One of the more recently acquired functions of modern unions is counseling. The union counselor seeks to advise members on personal problems—financial, housing, legal, health, family and others—or to refer the member to an agency where competent

[1] For details of these plans, see "Union Health and Welfare Plans," *Monthly Labor Review*, Vol. 64, No. 2, February, 1947, pp. 191–215; Jonas Silver and Lee Janis, "Medical Service Plans under Collective Bargaining," *ibid.*, Vol. 66, No. 1, January, 1948, pp. 34–39; also F. Beatrice Brower, "Features of Union Health and Welfare Funds," *Conference Board Management Record*, Vol. 9, No. 4, April, 1947, pp. 80–85.

[2] See "Union Health and Welfare Funds," *Studies in Business Economics*, No. 8, New York, National Industrial Conference Board, 1947.

[3] See "Features of Union Health and Welfare Funds," *Management Record*, Vol. 9, No. 4, April, 1947, pp. 80–83.

advice may be secured. Many business agents will insist that they have been counselors and have been performing these services for many years, especially those involving the need for loans.

The problems of union members with which counselors deal are, for the most part, outplant problems. The field is well described in the introduction to one union pamphlet describing its counseling program. Under the heading, "What Is Union Counseling?" the statement says in part:[1]

> Does Mary Jones have a new baby and no one to help her care for it, while she recovers from her confinement? Her union counselor will direct her to the visiting Nurse Association.
>
> Will Jane Brown have to give up her job because she can't figure out a way to have three-year-old Bobby taken care of? Her union counselor will direct her to the government agency in charge of war worker day nurseries.
>
> George has been on the job several weeks after having been discharged from the Army. After months at Salerno, or in the South Pacific, he isn't adjusting to the old routine and feels he'll have to quit his job. His union counselor can help him find out what the trouble is and how to correct it by getting him in touch with the Veterans Committee of his local, which in turn, will make it possible for him to take advantage of the Federal Government's Veterans' Rehabilitation Program. Additional vocational training may be the simple answer to what seems an impossible situation.
>
> A search for a house, legal difficulties, a problem child, no bus transportation. There is an answer to them all, and the union counselor will know where to find it.

Dankert ascribes the origin of formal counseling to wartime industry in Detroit.[2] A study of absenteeism there disclosed the fact that the most important cause was personal problems. Provision of trained counselors, whose primary function was to refer those who came to them to appropriate community agencies, provided an effective solution for most of these problems.

Union counseling reflects some union opposition to the development of management-sponsored counseling. In many firms, the latter has elements of paternalism in it that are not regarded with favor by union members and officers. Counseling is a function that may be closely

[1] From "Union Counseling," War Policy Division, UAW-CIO, 411 West Milwaukee, Detroit 2, Mich. (undated, but probably late 1944 or 1945); see also "Training Course Manual, CIO Union Counseling Program," National CIO Community Services Committee, November, 1945; Helen Baker, "Employee Counseling—A Survey of a New Development in Personnel Relations," Princeton University Industrial Relations Section, 1944; Paul S. Burnham, "Counseling in Personnel Work, 1940–1944," Chicago, Public Administration Service, 1944; Mary Palevsky, "Counseling Services for Industrial Workers," New York, Family Welfare Association of America, 1945.

[2] See Clyde E. Dankert, *Contemporary Unionism*, New York, Prentice-Hall, Inc., 1948, pp. 244–245; see also "Union Counseling—Bridge or Gap," *Survey Midmonthly*, April, 1945, pp. 106–108; also Mark Starr, in William F. Whyte (ed.), *Industry and Society*, New York, McGraw-Hill Book Company, Inc., 1946, pp. 161–163.

related to the struggle for employee "loyalty" that has been an important underlying cause of union-management struggles.

8.0 Educational and Research Programs

To provide better information many national and international unions now maintain research divisions, staffed by well-trained personnel and charged with responsibility to secure factual data, analyze and organize such material, and interpret it to union officers and members. Research directors and members of the research staff may study economic conditions in the industry in which the union operates; they may provide analyses of changing wages and living costs; they may make forecasts of future demands for manpower; in short, they may be called upon to secure, analyze, and interpret any data that are likely to be of particular significance to the union and its members. They provide the facts for negotiations. They prepare briefs for arbitrations. They write articles, speeches for officers, and communications to members of the union. The part played by these "staff workers" in modern unions is increasingly significant.[1]

8.1 *Educational Activities.* Organized labor's interest in education has long been recognized. Among the earliest stated policies of unions are those that demanded the more extensive development of free schools and compulsory school attendance laws. With this emphasis upon the necessity for widespread public education, unions have also insisted that children of wage earners be given the same educational opportunities as are available to children of wealthier parents. The present extensive public educational system of the United States reflects in no small measure constant pressure from unions and their members for more and better public schools.

At the same time, many unions and groups of unions have long emphasized the need for adult education, for courses of study especially designed to meet the needs of mature citizens and sometimes described as "continuation courses." Unions have done more, however, than merely to urge the provision of such courses by public educational institutions. They have undertaken programs of what has become known as "workers' education," in which effort is made to provide courses of special interest and significance for union members.

8.11 *Workers' education.* This program of adult education is designed to orient union members in the world in which they live and thereby to

[1] Several of the most effective of these research directors are former members of college and university faculties. Their assistants are generally recent graduates who are especially interested in the labor movement and have undertaken training for this type of work. For an excellent description of the work of these research departments, see Solomon Barkin, "Labor Union Research Departments," *Personnel Journal*, Vol. 19, No. 8, February, 1941, p. 292. See also "Labor Union Research," *Management News*, Vol. 22, No. 4, Apr. 11, 1949, pp. 3–4.

make them better able to lead the movement of which they are members. Immediate objectives of workers' education have been described as threefold.[1] They include (1) training of the most promising young members of labor organizations for future leadership in their organizations and in the labor movement. Such training includes consideration of the legal status of labor organizations, restrictions and obstacles that the latter must face, problems of industrial and manpower management, and devices that may be used to advance the interests of employees in the competitive struggle. (2) Workers' education also aims at provision of educational opportunity for the alert rank and file of the labor movement, in which particular emphasis is placed upon the study of economics, the nature of capitalism, and the history of economic development. (3) A third objective is encouragement of cultural and aesthetic development, cultivation of knowledge for the pleasure to be derived from it.

The inception of worker's education, although sometimes attributed to early philanthropists in older nations, should be credited directly to leaders of the labor movement, so far as workers' education in the United States is concerned. The first widespread interest among organized employees is primarily attributable to efforts of the National Women's Trade Union League and the International Ladies' Garment Workers Union. In 1914, the League first developed a training school for its leaders. In 1916, employees in clothing trades in New York established a department of education and organized a series of discussions and lectures. Similar programs were planned for locals throughout the country. Since that time, the number of such programs has increased rather rapidly. Both AFL and CIO have adopted resolutions asking that a labor extension service, comparable to the agricultural extension service in the Department of Agriculture, be established in the Department of Labor. The American Labor Education Service, formerly the Affiliated Schools for Workers, has provided assistance in planning and providing teachers and leaders.

Since World War II, the movement has received added impetus from the establishment of industrial relations centers and institutes in a number of leading universities.[2] More than 25 universities have cooperated in providing such educational programs.[3]

[1] Arthur Gleason, *Workers' Education Yearbook*, 1924, pp. 1–11; see, for a later statement, Caroline F. Ware, *Labor Education in Universities*, New York, *American Labor* Education Service, 1946; also her "Trends in University Programs for Labor Education," *Industrial and Labor Relations Review*, Vol. 3, No. 1, October, 1949, pp. 54–69.

[2] See "War-time Developments in Workers' Education," *Monthly Labor Review*, Vol. 61, No. 2, August, 1945, pp. 301–318; also the history of the Wisconsin experiment, Ernest E. Schwarztrauber, *Workers' Education*, Madison, University of Wisconsin Press, 1942; also, Ernest E. Schwarztrauber, "Workers' Education," in Training and Research in Industrial Relations II, *Bulletin* 4, Minneapolis, University of Minnesota Industrial Relations Center, pp. 17–24.

[3] For greater detail on these workers' education programs, see Edwin E. Witte, "The

8.2 *Publications and Public Relations.* Not all union educational activities are directed at union members. Many unions seek also to educate the public, to inform citizens of union viewpoints and activities. To that end, some unions have carried on extensive publicity in local and national publications, while others have utilized the radio to tell their story. In some cases, union interest in the formulation of a favorable public opinion seems to appear only when unions are in difficulty, as when there is a strike inconveniencing the public or when unions are threatened with unfavorable legislation. But many organizations, especially city, state, and national federations or councils, recognize the need for continual cultivation of public understanding. They maintain public relations directors, take an active part in community and other public affairs, and use all available media to encourage favorable attitudes toward the unions they represent. Figure 17.1 is a rather unusual example of such publicity.

All nationals and internationals and many state and local federations maintain regular publications. In addition, the AFL publishes *Labor's Monthly Survey*, and the CIO a similar *Economic Outlook*. The AFL also publishes the monthly *American Federationist*, while the CIO issues the *CIO News*.

Many alert labor organizations emphasize, by every possible means, the importance of labor unions in modern society. Celebration of *Labor Day* as an annual holiday is but the most obvious of these efforts. Observance of the first Monday in September each year as Labor Day began with a resolution passed by the Central Labor Union of New York City on May 8, 1882. The Oregon legislature was the first to legalize the holiday, which is now generally celebrated throughout the nation.

9.0 Business Ventures of Unions

Over the years, unions have undertaken a wide range of business ventures. Retail stores, including those that sell only products bearing the union label, have been operated by labor organizations. Bakeries, laundries, and undertaking establishments are among the ventures into which unions have gone. They have entered mining, farming, and manufacturing (bricks, cigars, millwork). They have recently shown particular interest in credit unions, by means of which funds are made available to members at lower rates of interest than those charged by

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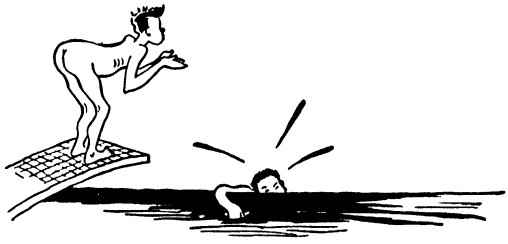
University and Labor Education" (mimeographed), Division of Labor Standards, U.S. Department of Labor, May, 28, 1947; Theodore Brameld, *Workers' Education in the United States*, New York, Harper & Brothers, 1942; William S. Hopkins, "The Pacific Coast School for Workers," *Labor Information Bulletin*, Vol. 6, No. 9, August, 1939, p. 6; also John D. Connors, "A New Frontier," *Adult Education Journal*, Vol. 5, No. 2, April, 1946, pp. 17–20.

WHICH BOY'S FATHER OWNS THE PLANT AND WHICH BOY'S FATHER IS THE CARPENTER?



● In Minnesota, the boss' son goes swimmin' with the carpenter's boy.

We tell you that because we American Federation of Labor folks in Minnesota get along with our bosses.

We believe in private initiative, not government in business. We want the boss to make money and expand his business. When he can expand, he needs more of us, and we are an ambitious bunch.

Besides . . . you can't go swimmin' with a government bureau.

We AFL employees in Minnesota helped turn out $2,000,000,000 worth of war materials without any stoppage of work.

Twin City Ordnance, St. Paul; General Mills, Minneapolis; and Butler Shipbuilders, Duluth, are three typical Minnesota industries that turned out war material faster than it could be hauled away. They had contracts with AFL unions. There were many others.

The Minnesota manufacturer's labor cost was 7.5 per cent less in 1944 than his eastern competitor.*

We can tell you more if you're interested.

MINNESOTA FEDERATION OF LABOR (AFL)

LABOR TEMPLE — Robert A. Olsen, Pres.

Representing 125,000 craftsmen who return a good day's work for a good day's pay

ST. PAUL, MINN. — George W. Lawson, Sec.

*J. G. White Engineering Corp, 80 Broad St., New York, is authority for this statement.

FIG. 17.1. Labor publications and publicity. (*One of several releases from the Minnesota State Federation of Labor published in a number of magazines of national circulation,* 1947.)

usual lending agencies.[1] They have operated banks and insurance companies and are presently active in these fields. They have undertaken the construction and management of housing projects. Their success has been almost as varied as the range of their ventures.[2]

Many of these business activities, like the financial status of international unions, are cloaked in some obscurity if not secrecy. Belfer found this difficulty in seeking information on the financial resources of contemporary unions.[3] He was successful in getting financial statements from 53 of the 107 unions to which inquiries were addressed. Seventeen unions refused to supply such information. Of the 53 reporting unions, one had resources of 50 million dollars, six were worth 10 million or more, 22 reported net worth of from 1 to 10 million dollars, and 25 indicated lesser resources.[4]

9.1 *Producers' and Consumers' Cooperation.* When employees own the business in which they are employed, the arrangement is commonly known as producers' cooperation. Producers' cooperatives represent one of the major divisions in the modern cooperative movement. Organized labor has shown some interest in the movement, as is evidenced by the widespread development of credit cooperatives and the other business ventures of various unions. Generally, in producers' cooperatives, each employee is a stockholder and is allowed to cast one vote regardless of the number of shares he may own. Voting by proxy is not permitted. Wages are paid at approximately the level prevailing in competitive concerns, and profits may be divided among stockholders or reinvested in the business.

Consumers' cooperation differs from producers' cooperation in that in the former those who purchase—rather than those who produce—the goods or services own the business.

Producers' cooperatives, formed by union members, have existed in the United States since such an organization was established by Philadelphia carpenters in 1791. They were approved by the Knights of Labor. There are references to 135 producers' societies in this country in 1884. With the growth of mass-production industries they have declined in

[1] For evidence of the growth of such associations, see "Operations of Credit Unions in 1947," *Monthly Labor Review*, Vol. 67, No. 4, October, 1948, pp. 385–388.

[2] A group of AFL unions established the successful Union Labor Life Insurance Company in 1925. United Mine Workers became part owners of the Rocky Mountain Fuel and Iron Company when it was reorganized in 1945.

[3] Nathan Belfer, "Financial Resources of Trade-unions," *Journal of Political Economy*, Vol. 57, No. 2, April, 1949, pp. 157–160.

[4] Although unions are exempt from taxes on their nonproperty income, some 29,000 unions reported on incomes and expenditures to the Bureau of Internal Revenue in 1943. They reported gross income of $389,700,000 and disbursements of $323,400,000, according to the *Supplement to Statistics of Income for 1943*, Part 2, "Organizations Exempt from Tax," p. 36, cited by Belfer.

numbers. Perhaps the best known of such arrangements in the United States is the Columbia Conserve Company of Indianapolis, Ind.[1] There are large numbers of such cooperatives in France, Sweden, and Italy. The *Kooperative Forbundet* in Sweden, which combines producers' and consumers' cooperation, accounts for approximately 10 per cent of all manufacturing in the nation.[2] In this country, numbers of such ventures have never been impressive, and their record is not imposing. Absence of class consciousness on the part of members, failure to appreciate complicated managerial problems, lack of adequate capital to permit successful competition with private ventures, and the opposition of individual or corporate competitors have contributed to their downfall.

9.2 *Labor Banks.* No business activity in which labor organizations have ventured has occasioned greater public interest than banking. Although the possibility of labor entrance in the banking field has been discussed since the beginning of the present century, actual establishment of labor banks was postponed until the close of World War I. Labor organization was greatly strengthened during that war. Higher wages and general prosperity were reflected in union treasuries. In years immediately following the war, organizations were faced with problems of investing and conserving these funds. Further, in 1920, when depression threatened, a strong antiunion campaign was undertaken. Unionists believed that many bankers were active in inspiring and supporting that campaign. Several labor organizations, particularly the railroad brotherhoods, were convinced that to allow their funds to be kept and used by institutions participating in these programs was improper. The first labor bank appeared in 1920. Numbers and resources of these banks increased until 1925, after which they declined. Only four labor-controlled banks have been operating in the years since World War II. Changes in numbers and resources of these banks since 1920 are summarized in Table 17.1.

Unionists expected their banks to serve five principal functions. These institutions could, it was believed, assist labor organizations in investing their funds. They could provide financial assistance to employers who cooperate with organized labor. They could mobilize the financial power of unions in assisting other labor business ventures. They could introduce cooperative features into banking, including payment of increased interest on members' deposits, assistance in small loans, and aid to individual employees in making investments. Finally,

[1] See W. P. Hapgood, *An Experiment in Industrial Democracy*, Indianapolis, Columbia Conserve Company, 1931.

[2] See Florence E. Parker, "Consumers' Credit, and Productive Cooperation in 1933," *Bulletin* 612, Washington, U.S. Bureau of Labor Statistics, 1935, Chap. V; D. J. Saposs, "Producers' Cooperation," *Encyclopedia of the Social Sciences*, 1st ed., Vol. 12, pp. 460–462.

they would increase the prestige of organizations in the minds of their members.[1]

TABLE 17.1. LABOR BANKS, 1920–1948, SELECTED YEARS[1]

Year	Number of banks	Capital, surplus, and undivided earnings	Deposits	Total assets
1920, Dec. 31	2	$ 1,154,446	$ 2,258,561	$ 3,628,867
1925, Dec. 31	36	12,536,901	98,392,592	115,015,273
1930, June 30	14	7,217,836	59,817,392	68,953,855
1935, June 30	4	2,051,943	17,262,281	19,692,385
1940, June 30	4	2,684,911	23,847,294	26,931,651
1945, June 30	4	3,428,078	72,776,529	76,509,121
1946, June 30	4	4,353,648	86,651,036	91,544,888
1947, June 30	4	5,052,138	89,549,666	95,245,931
1948, June 30	4	5,119,499	89,181,399	95,156,593

[1] From "Status of Labor Banks in 1948," *Monthly Labor Review*, Vol. 68, No. 1, January, 1949, p. 55.

Labor-owned banks encountered many problems. Union leaders underestimated the need for special knowledge in managing them. As a result, some investments in the early institutions were distinctly questionable. Several of the institutions were unprepared to meet the nation-wide banking crisis that developed after 1930. In other cases, the parent union extended credit for other union ventures that proved unprofitable. Although unionists have taken control of one new bank since 1940, the movement to establish union banks seems to have abated.

9.3 *Housing.* While some union programs of real estate development and housing have been poorly planned, grandiose, and financially unsuccessful, union efforts in this area as a whole must be regarded as among the more successful of union business ventures. Possibly best known of the housing programs is that undertaken by the Amalgamated Clothing Workers, in New York City. Since 1927, the ACW has financed and built a series of modern apartment houses which have been sold on long-term credit arrangements to union members and others. The program is managed by a special housing corporation wholly owned by the union. Other unions, notably the Textile Workers and the United Automobile Workers, have undertaken less extensive programs and have been successful in the construction of homes.[2]

[1] See Walter E. Spahr, "Labor Banks in the United States," *American Economic Review*, Vol. 24, No. 1, March, 1936, p. 90; "Labor Banks," Princeton University Industrial Relations Section, 1930; J. B. S. Hardman, "Labor Banking," *Encyclopedia of the Social Sciences*, 1st ed., Vol. 8, pp. 620–624.

[2] See "Non-profit Housing Projects in the United States," *Bulletin* 896, U.S. Bureau of

QUESTIONS AND EXERCISES

1. Describe the relationship of policies and practices to goals or objectives of labor organizations.
2. What are the principal forms of organizational activities carried on by modern unions?
3. What is the "union-label roll call"?
4. What is meant by the principle of "voluntarism" as it characterizes American labor organizations?
5. Why has the CIO shown greater centralized authority than the AFL?
6. Explain standardization, recognition, and union security as these terms are used in collective bargaining.
7. Why is union security a matter of controversy?
8. Explain the union viewpoint with respect to union security.
9. How is such security related to union responsibility?
10. How is union security related to union democracy?
11. Describe each of the principal forms of union security or recognition.
12. Describe and illustrate three types of jurisdictions maintained by unions.
13. What devices are utilized by unions to restrict membership?
14. What issues arise out of questions with respect to the range of bargaining?
15. Why do some unions oppose industry-wide bargaining?
16. What action may be taken by unions in efforts to effect demands for labor?
17. Distinguish the negotiation of collective agreements from their administration.
18. What procedures are essential in preparing for negotiations?
19. What are the principal subjects or clauses included in collective agreements?
20. Contrast union wage policies in industrial and craft unions.
21. In current union wage policy, what consideration is given to the effects of wage adjustments on employment?
22. How do wage clauses tend to overlap other provisions?
23. What may be said with respect to "ability to pay" as a criterion for wages?
24. What other criteria may be appropriate in wage negotiations?
25. Why are apprentices and learners given special attention in many agreements?
26. Describe provisions with respect to annual wages and severance pay.
27. What questions appear prominently in connection with determination of hours of work?
28. What are "fringe" items or issues?
29. What arguments can be advanced for and against health and welfare clauses?
30. Why are management security clauses included? How are they related to management prerogatives?
31. What issues arise over the question of control of output?
32. Why are clauses dealing with discipline regarded as especially important by both unions and managements?
33. Cite illustrations of grievances that are likely to arise.
34. Should the grievance procedure consider complaints falling outside provisions of the agreement?
35. Contrast advantages of "legalistic" and informal grievance handling.

Labor Statistics, 1947; "Union Housing: Textile Workers Union of America Project at Front Royal, Virginia," *Business Week*, Feb. 16, 1946, p. 106; "America's Need for Planes, America's Need for Homes: The Reuther Housing Plan," *Labor and Nation*, Vol. 5, No. 2, March-April, 1949, pp. 30–36.

36. May managements have grievances and settle them through the grievance procedure?

37. Show that seniority clauses raise numerous difficult questions, and suggest solutions for them.

38. What types of leave of absence may be established by collective agreement?

39. What provisions usually govern the scope and duration of collective agreements?

40. Why is the strike generally regarded as essential to union effectiveness?

41. Distinguish picketing from boycotting, and illustrate.

42. Describe the usual union viewpoint on voluntary and compulsory arbitration.

43. Contrast the political viewpoints of the AFL and CIO.

44. Describe CIO difficulties with left-wing political leaders.

45. Indicate the importance of union benefit provisions in present and earlier American unions.

46. Describe the health programs undertaken by unions.

47. Explain why unions have sometimes objected to management counseling services, but have provided their own counselors.

48. Describe the objectives of workers' education programs and the usual content and coverage of such sources as are offered.

49. Appraise the experience of American unions in such business ventures as producers' cooperation, banking, and credit unions.

Chapter 18

Public Policy on Collective Bargaining

Collective bargaining has attracted increased popular attention as the number of employees directly affected by such negotiations has grown. It posed quite different public questions in earlier years, when only a small portion of the labor force was included among union members. Even when only a small minority of employees belonged to unions, however, the fact that some wage earners sought to bargain collectively was regarded as raising questions of sufficient public consequence to justify special rules and regulations for these unions and their members. Indeed, when the earliest unions appeared, a widespread belief prevailed that society as a whole must be concerned with and apply special controls to these groups of organized wage earners. The philosophy and practices of unions, then and now, have been regarded as having important implications for socially determined goals.

1.0 Meaning of Public Policy

Public policy represents the "principles" or "ground rules" or declarations of purpose and intent established as guideposts by societies. When certain goals or objectives achieve recognition and acceptance—as for example, industrial peace, stable employment, rising living scales, shorter hours, and others—then societies seek to formulate general statements of what will be regarded as appropriate conduct, consistent with these desired goals. The "rules of the game" thus described become *public policy.* They provide approved patterns for subsequent individual, social, and political action.[1]

Such policies may be written out and "enacted" by legislatures. They may be included in the "whereases" of joint resolutions or administrative findings and orders. Some may be regarded as relatively simple or obvious, so that they need no written formulation. Others are so complicated that they are written out in detail in laws or administrative regulations.

2.0 Historic Policy on Collective Bargaining

Public policy with respect to unions and collective bargaining has undergone many changes in the years since the first labor organizations

[1] See, for greater detail, Herman Lazarus and Joseph P. Goldberg, *The Role of Collective Bargaining in a Democracy,* Washington, D.C., Public Affairs Institute, 1949.

appeared. On the whole, the process by which current policy has evolved is one of slowly growing privileges granted to unions, although there have been temporary setbacks in this development.

2.1 *Common-law Rules.* In early years, public policy with respect to collective bargaining related it to what was regarded as objectionable group action generally defined as "conspiracy." At the time when the earliest unions appeared, an extensive body of public policy on conspiracies had already developed. Most of this policy was not formulated in statutory law; rather, it had been developed through the years by the courts in answering requirements of equity in situations for which no statute law had been provided.

Combinations of employees were generally forbidden under these early common-law rules. Yeomanry guilds were for this reason held to be violations of common-law rules with respect to combinations and criminal conspiracies. These rules defined a conspiracy as "a combination of two or more persons seeking, by some concerted action, to accomplish some criminal or unlawful purpose or to accomplish some purpose, not in itself criminal or unlawful, by criminal or unlawful means." In general, the conception held that many actions that might be taken by an individual without injury to society became hazardous to social interests if performed by an organized group. English courts held that the purposes of early labor organizations were illegal, because they represented efforts to restrain trade. Combinations to raise wages, to shorten hours, or to prescribe working conditions were thus held to be criminal conspiracies under the common law. Numerous convictions for conspiracy and subsequent prison sentences assessed against employees who participated in these combinations are recorded in this period.

Two types of conspiracies were distinguished. In one, the general social welfare was regarded as being threatened by the action of these combinations. Such conspiracies were made subject to fines and imprisonment as *criminal* conspiracies. At the same time, some group actions might injure individuals or other groups. They could then be made the basis for suits designed to secure compensation for injuries, under the rules governing *civil* conspiracy.

Early unions were frequently held liable under both criminal and civil conspiracy doctrines. The common-law rules defined an essentially restrictive policy for all incipient unions.

2.2 *Early Legislation in England.* As early as 1351, when the Black Death had occasioned a great shortage of manpower, Parliament enacted the first *Statute of Labourers.* The act was not designed primarily to regulate unions. It established, however, a public policy that was related to the usual purposes of such combinations. The statute provided that all able-bodied men under sixty years of age must accept

work and that any demand for wages higher than those in effect before the plague was illegal and subject to penalty. The statute was reenacted several times during the following century.

In 1562, a *Statute of Apprentices* established a nation-wide system of wage controls, provided for settlement of wage and other disputes by local justices of the peace, and gave legal sanction to the prevailing apprenticeship system. While it did not describe public policy on collective bargaining directly, the system it established left little room for such relationships.

2.21 *Combination Acts.* The earliest formal legislation defining policy on organization of unions is represented by the "Combination" Acts. They began as early as the sixteenth century. The last of the series was passed in 1800. Their specific purpose was to make illegal any cooperative action on the part of any group of employees or employers designed to change existing standards of wages or prices. Application of the acts was restricted almost entirely to associations of employees. The final act illustrates the extent to which combinations were limited. It provided that no association of employees should make any effort to (1) raise wages, (2) deter wage earners from accepting employment or remaining at work, (3) interfere with an employer's freedom to hire, (4) hold meetings to organize employees for these or similar ends, (5) issue invitations to employees to combine, or (6) collect funds to further the program of any such combination. Participation in an organized movement for any of these purposes was made a criminal offense. The act also contained a clause prohibiting the organization of employers for purposes of lowering wages or increasing hours of employment.

Violation of this statute, so far as "laborers" were concerned, was punishable by imprisonment. The penalty for employers who violated its provisions was a fine of £20. The intention of the act is clearly shown in the record of its enforcement. It was frequently invoked to prevent and attack combinations of employees. As late as 1817, 1818, and 1819, convictions are recorded involving representatives of a weavers' union, members of an organization of cotton spinners, and ten calico printers, the latter for attendance at a meeting where organization was to be discussed. On the other hand, no case against an association of employers was prosecuted under the statute.

2.22 *Removal of restrictions.* The history of public policy on collective bargaining, so far as England is concerned, is a long process of slowly relaxing limitations. By 1824, public dissatisfaction with the Combination Acts was indicated in legislation that made a clean sweep, repealing the Combination Acts and greatly limiting application of the rules of conspiracy. In the following year, however, public opinion again changed. Under a new law passed at that time, employees gained the

right to conclude agreements with employers as to wages, hours, and conditions of employment, provided they made no effort to regulate these conditions for any employees other than themselves.

Under this law of 1825, common-law conspiracy doctrines were not voided. As might have been expected, recourse to these common-law rules was more frequent when specific legislative limitations of the Combination Acts were removed. In 1832, a group of miners in Lancashire was held to be an illegal combination because its members had written to their employer threatening to strike. Two years later, several employees acting as agents of a potters' union were convicted of intimidation and sent to prison. An ancient prohibition of secret rituals and agreements was invoked to convict six farm laborers of conspiracy when they were found to have included a secret oath in the initiation ceremonies of their organization. When, as a penalty for this offense, they were sentenced to transportation to Australia for seven years, it is reported that 30,000 wage earners paraded in London streets, demanding that Parliament intercede. The ministry hastily pardoned the offenders.

Numerous other instances of the same sort served to mobilize the political strength of wage earners. Further removal of restrictions appeared in the acts of 1859, 1871, 1875, 1906, and 1913. In the first of these, organized groups of employees were expressly permitted to make agreements affecting others than those present at the time of the agreement. In 1871, two laws were enacted. The first, known as the Trade Union Act, provided that the criminal conspiracy doctrine should not be held to apply to the usual activities of unions. The second of the two, known as the Criminal Amendment Act, broadly prohibited any use of force or intimidation in securing membership in labor organizations. The law of 1875 permitted peaceful picketing and declared that actions of organized groups should not be considered improper and criminal unless the same action committed by individuals would be so considered.

2.23 *Taff-Vale case.* An additional step toward the encouragement of unions arose out of the Taff-Vale case of 1901. In this case, employees involved in a strike on an English railroad were held by the courts to be responsible for damages suffered by the railroad during the strike. The civil conspiracy doctrine was invoked to justify this decision. A judgment of more than £200,000 was assessed against the union and its members. British labor immediately visualized further use of this device to jeopardize the personal property of union members and thus to cause employees to fear the consequences of union membership. Efforts were begun at once to secure exemption of labor organizations from rules of civil conspiracy, as they were already exempted from those of criminal

conspiracy. This result was accomplished in 1906, in the Trades Disputes Act.

2.24 *Paid political representation.* A remaining limitation affected the political participation of wage earners and arose from the legal requirement that members of Parliament, who received no compensation from the national government, could not be paid any salary by their constituencies. Only wealthy persons, it was insisted, could be expected to serve under such conditions. Few labor representatives could afford to be legislators. As a result of a campaign designed to overcome this handicap, labor secured passage of the Trade Union Act of 1913. The law allowed local labor groups to pay salaries and expenses of their representatives in the British Parliament and to use funds for political purposes if members voted to do so.

2.25 *Act of 1927.* With the growth of the Labor Party and of union membership, public policy was further modified. The Trade Disputes and Trade Union Act of 1927 reflected a growing fear of union domination, which was given added emphasis by the general strike of 1926. That Act limited use of union funds for political purposes by requiring that members must give notice ("contract in") if they wished their contributions to be so used. Before this regulation was imposed, unions could use funds collected from members for political purposes unless members specifically objected. The Act further designated certain types of strikes as illegal, including strikes intended to coerce the government and strikes by employees in local public utilities in breach of a collective agreement where such a strike might endanger human life or seriously inconvenience the community. Union officials were made criminally liable for damages resulting from illegal strikes, and union funds were subject to judgment for damages. Moreover, legal representatives of the state were authorized to seek an injunction to prevent use of union funds in such strikes, and union members who were prevented from continuing work under such circumstances could collect damages from the union. Public employees were permitted to organize and deal collectively, but they were not allowed to maintain membership in unions whose membership included employees other than those of the government.

Although unions cannot incorporate under English law, the Act established a system of voluntary registration for unions. Registered unions were given the right to sell, lease, or own real and personal property. Their funds were granted a preferred status, under which they were taxed at a reduced rate.

Under a prescribed registration procedure, unions designated a business office, named their officers, and deposited copies of their bylaws. The latter must describe the purposes of the organization, the method of

selecting officers, and purposes for which union funds may be used. They must include provision for periodic audits. The registrar could refuse registration if the union did not comply with such regulations as were in force or if the purposes of the organization appeared inappropriate. Registered unions were required to furnish periodic statements of receipts and expenditures, with a classification of the latter according to the purposes defined in bylaws. All unregistered unions were also required to file reports with respect to funds used or maintained for political purposes.[1]

The Act of 1927 was greatly modified by repeal of its most restrictive provisions shortly after the Labor Party came into postwar control, in 1946. Union officials were relieved of their personal liabilities. Restrictions on political action were relinquished. Registration, however, was continued.

3.0 Public Policy in the United States

In the United States, the development of public policy on collective bargaining has reflected British experience, but there have been significant differences. In the colonies, public opinion appears to have been influenced by the general objection to restraints, the almost continuous shortage of manpower, and the availability of "free land." Employees could always leave their jobs and become independent entrepreneurs in the frontier settlements or on surrounding farms.

As unions appeared in the colonies and later in the new nation, public policy was distinctive, as compared with that of Great Britain, in several respects. The common-law doctrines of conspiracy were applied less broadly than in England. Although they were frequently invoked by employers in early labor disputes and although it was often alleged that, according to common law, all combinations of wage earners were illegal, no clear-cut acceptance of this doctrine can be said to have prevailed at any time. Juries at various times found combinations of wage earners illegal, as was the case, for instance, in 1806, when a jury in Philadelphia found a union of cordwainers guilty of combination in restraint of trade and subjected them to punishment. As in England, the same rule, although it was supposed to bear equally on employers, was seldom applied to them. Generally, public opinion was divided upon the question of the legality and propriety of unions, and prosecutors found it difficult to secure conviction of employees for violation of rules of conspiracy. Most prosecutions under the conspiracy rule were regarded with suspicion. Public sympathy frequently favored unionists.

Questions of public policy with respect to labor organizations are

[1] W. Milne-Bailey, *Trade Unions and the State*, London, George Allen & Unwin, Ltd., 1934.

among those with which agencies of American government have faced a divided jurisdiction. No single governmental agency can be held responsible for a concerted and systematic legislative program, because part of such regulation falls within the proper jurisdiction of the Federal government, while other phases are appropriate for state and local authorities.

No specific legislation declaring combinations of employees illegal comparable to the Combination Acts has appeared from any American legislative chamber. On the contrary, in the two decades beginning with 1860, several states considered and enacted legislation specifically legalizing combinations of employees formed for the purpose of improving working conditions.

Emphasis upon individual rights, on the part of both employers and employees, has been greater in this country than in most older nations. It has formed the basis for numerous interferences with efforts on the part of unionists to secure additional members, for courts have not infrequently stressed sovereign rights of employees to bargain individually. Employers' associations favoring antiunion policies tried to keep this right uppermost in the minds of the courts. The "right" of the entrepreneur to conduct his business without interference has frequently been regarded as a "property right" that must be protected by lawfully constituted authorities exactly as they would protect property against invasion or damage.

In distinction from the course of English legislation and policy, which has broadened the approved sphere of union activity since about 1825, no such liberalization in American procedure was observable until after World War I. Rather, legislation and court decisions in earlier years appeared to be placing increasing restrictions about the activities of unions in this country

A summary of legislative enactments, limited to those of the Federal government, necessarily considers a series of laws, including the Sherman Act of 1890, the Clayton Act of 1914, the Norris-LaGuardia Act of 1932, the National Industrial Recovery Act of 1933, the National Labor Relations or Wagner-Connelly Act of 1935, and the Labor-Management Relations Act or Taft-Hartley Act of 1947. Brief attention must be accorded each of these legislative contributions. The several railroad labor acts and the War Labor Disputes Act might also be mentioned, but they need not be considered in detail.

3.1 *Sherman Act* (1890). The Sherman Act is generally regarded as an antitrust law. It prohibits combinations in restraint of trade and provides for the assessment of triple damages against an offending combination. At the time the Act was passed, popular opinion regarded it as having little relationship to labor organization, although employers'

associations may have seen its possibilities as a weapon to be used in antiunion campaigns. Employers and their associations were, however, quick to seize the opportunity to make use of it in this connection. By the time the first decision on a case brought under the provisions of the Act was rendered by the Supreme Court of the United States, the Act had been invoked only once against a business combination but had been made the basis for attacks upon the legality of labor organizations eleven times.[1]

Almost immediately after the law was passed, court interpretations indicated that it could be applied to labor organizations as well as business combinations. The law provided that certain combinations could be prosecuted by the Federal government as criminal violations of the statute, or that individuals injured by combinations could seek damages, or that the government might ask injunctions against offending combinations. In an early case—*United States v. Workingmen's Amalgamated Council of New Orleans*[2]—the government sought an injunction against a group of dairy and warehouse employees, alleging that they represented an illegal combination under the Sherman Act. The Federal court granted the injunction, brushing aside arguments that the Sherman Act did not apply and pointing to the language of the statute, which declared that "every contract or combination . . . in restraint of trade" was illegal.

3.11 *Danbury Hatters' case.* Most significant among the attacks made on labor organizations under this Act, as far as arousing the determination of organized labor to demand and secure change is concerned, was the decision rendered in the Danbury Hatters' case.[3] Members of a national union of hatters attempted to force D. E. Loewe and Company of Danbury, Conn., to recognize the union and conclude a closed-shop agreement with it. In 1902, after rejection of this demand by the company, the union called a strike and sought to encourage large numbers of unionists and their friends not to use the product of this manufacturer. The company brought suit against the local organization and its members under the Sherman Act, seeking to recover some $88,000 of alleged damages. After lengthy litigation, the court awarded triple damages, as provided in the law, in the amount of $252,000. The decision was sustained by the United States Supreme Court in 1908. The case was finally settled out of court for $234,000, of which $216,000 was contributed by the American Federation of Labor.

Organized labor recognized possible effects of this decision as far-

[1] Edward Berman, *Organized Labor and the Sherman Act*, New York, Harper & Brothers, 1930.

[2] 54 Fed. 994; 26 L.R.A. 148 (1893).

[3] *Loewe v. Lawlor*, 208 U.S. 274; 28 Sup. Ct. 301 (1908).

reaching. The judgment was assessable against the organization and any funds it might have as well as against the property of individual members of the union. It was apparent to leaders of organized labor that, if such suits became common, employees might easily be deterred from participating in any sort of organization for fear that actions of union leaders, of irresponsible members, or of outsiders mistakenly considered to have represented the organization might be regarded as grounds for damages assessed against the property of individual members. Accordingly, labor organizations throughout the nation determined that these results must be precluded by enactment of further legislation that would limit the force of antitrust laws to commercial, nonlabor combinations.

3.2 *Clayton Act* (1914). The Clayton Act of 1914 was regarded as a step in this direction. Several of its sections were proposed by representatives of labor organizations. The law was widely acclaimed by unionists as a sort of Magna Charta for labor. Sections 6 and 20, especially, were heralded as labor's bill of rights. The first of these specifically approves the right of employees to organize for purposes of mutual assistance and declares that such combinations shall not be considered conspiracies subject to regulation under the antitrust provisions of Federal legislation. The section reads as follows:

> Section 6. That the labor of human beings is not a commodity or an article of commerce. Nothing contained in the anti-trust laws should be construed to forbid the existence and operation of labor, agricultural, or horticultural organizations instituted for the purpose of mutual help and not having capital stock or conducted for profit, or to forbid or restrain members of such organizations from lawfully carrying out the legitimate objects thereof, nor shall such organization or the members thereof be held or construed to be illegal combinations or conspiracies in restraint of trade under the anti-trust laws.

Section 20 of the Act represents what was regarded as another triumph for organized labor. It deals with the use of injunctions in labor disputes. It was intended to preclude "labor injunctions" except under a limited number of most unusual circumstances. This problem of the use of injunctions in labor disputes involves such important questions of public policy as to deserve detailed attention at this point.

3.21 *Labor injunctions.* An injunction is an order issued by a court enjoining or forbidding certain actions on the part of specified parties. It is generally assumed to have as its major objective the maintenance of the *status quo.* In theory, injunctions are issued when property or the public peace is subject to hazard and when it can be protected against irreparable damage only by such an order—when, in other words, it appears likely that damages will be inflicted for which reparation cannot be made. In "labor injunctions," these orders gener-

ally prohibit certain actions on the part of unionists, unions, and their officials and friends, upon the assumption that such action would result in damage to property and that owners cannot secure adequate reparation through civil action directed against those who inflict these damages.

Labor injunctions have an extensive history, although their use is largely confined to the United States.[1] They first appeared in England. It is said that the first injunction issued in a labor dispute in England was annulled by the chancellor and that the second was reversed by Parliament.

Early uses of the labor injunction are recorded in Maryland and Ohio (1883), Iowa (1884), and Pennsylvania and Massachusetts (1888). They increased in number with the passing of the years, and attracted widespread popular attention in the Pullman strike of 1894 and in the railway shopmen's strike of 1922. In the Pullman strike, the United States government sent troops to protect the mails and to prevent violence. The Attorney General sought and obtained an injunction directed at the leaders of organized labor, ordering them not to call a strike or encourage workers to strike. A strike was called, however, and one of the leaders, Eugene V. Debs, was arrested, found to be in contempt of court, and sent to prison in the following year. The case was carried to the Supreme Court,[2] which held that the injunction was justified as a means of preventing restraint of trade in interstate commerce.

Thereafter, injunctions were frequently issued in labor disputes. Increasing usage resulted in more determined efforts on the part of unionists to develop public policy that would preclude their use for this purpose. Unions objected both to the procedure followed in issuing orders and to their use to weaken the effects of strikes and picketing. After several years of campaigning, unions were successful in getting a section in the Clayton Act of 1914 that appeared to accomplish their objective. The section reads as follows:

> Section 20. That no restraining order or injunction shall be granted by any court of the United States or a judge or the judges thereof in any case between an employer and employees or between persons employed and persons seeking employment and growing out of a dispute concerning terms or conditions of employment, unless necessary to prevent irreparable injury to property or to a property right of the party making the application, for which injury there is no adequate remedy at law. . . .
>
> And no restraining order or injunction shall prohibit any person or persons, whether singly or in concert, from terminating any relation of employment or from

[1] See Francis Bowes Sayre, "The Labor Injunction," *Forum*, Vol. 85, No. 1, January, 1931, pp. 56–61; Felix Frankfurter and Nathan Greene, "The Labor Injunction," *Encyclopedia of the Social Sciences*, 1st ed., Vol. 8, pp. 653–657; Matthew Woll, *Labor, Industry and Government*, New York, Appleton-Century-Crofts, Inc., 1935, Chap. 12.

[2] *In re Debs*, 158 U.S. 564, 15 Sup. Ct. 900 (1895).

ceasing to perform any work or labor or from recommending, advising, or persuading others by peaceable means to do so; or from attending at any place where any such persons may lawfully be for the purpose of peacefully persuading any person to work or to abstain from working or from ceasing to patronize or to employ any party to such dispute or from recommending, advising, or persuading others by peaceful and lawful means to do so; or from paying or giving to or withholding from any person engaged in such disputes any strike benefits or other money or things of value; or from peacefully assembling in a lawful manner and for lawful purposes; or from doing any act or thing which might be done in the absence of such dispute by any party thereto; nor shall any acts specified in this paragraph be considered or held to be violations of any laws of the United States.

Although Samuel Gompers described the section as labor's Magna Charta, unionists' difficulties with the injunction were by no means concluded by this Act. Rejoicing at its liberating clauses was short-lived. The Supreme Court's reiteration of the doctrine that the right to carry on a business is a property right proved a means of avoiding limitations established in the Act. Several injunctions, some of them national in scope, such as those issued against the bituminous coal workers in 1919 and in 1947 and against the railway shopmen in 1922, have dispelled any illusions that might have remained in the minds of organized workers.

Much of the bitterness with which unionists attacked the labor injunction was directed at the procedure followed in securing these orders in earlier periods. The first step in such actions is the preparation of an application for the court order. In most cases an employer specifies the detailed regulations which he desires. The attorney frequently includes every possible restriction that the employer could believe to be of advantage to him. The proposed order, together with a petition describing the hazard to the plaintiff's property of business, is presented to a court. In earlier practice, this presentation was commonly informal, without an open hearing. The general willingness of courts in years past to issue injunctions without careful investigation may be judged from facts disclosed in a report of the labor injunctions issued from 1901 to 1928. In a study of 118 applications presented to Federal courts, Frankfurter and Greene[1] found that 70 of them were ex parte, *i.e.*, granted with no notice to those against whom they were directed and no hearing at which the union's side of the case might be presented. In only 12 of the total number of cases did employers bring records of witnesses to substantiate their statements.

Some of the actions that have been forbidden by labor injunctions have

[1] Felix Frankfurter and Nathan Greene, *The Labor Injunction*, New York, The Macmillan Company, 1930; see also "Labor Injunctions and Federal Legislation," *Harvard Law Review*, Vol. 42, No. 6, April, 1929, pp. 766–799; see E. E. Witte, "Injunctions in Labour Disputes in the United States," *International Labour Review*, Vol. 21, No. 3, March, 1930, pp. 315–347.

been mentioned. Phraseology has frequently dealt in general terms. But this generalizing has not prevented some orders from prohibiting discussions of the situation, either orally or in writing, holding meetings or demonstrations, calling strikes, speaking in favor of such action, paying strike benefits, "conspiring to quit," or interfering in any way with the plaintiff's business. Further, labor leaders charge that injunctions may be worded so vaguely as to be unintelligible and that employees cannot know in advance whether or not they are violating some provisions.

Similar objection has been raised to the usual means of enforcing these orders. Violation, though it may be in no sense a violation of criminal law, places the violator in contempt of court and subject to penalties believed by the court to be justified. The offender may be more severely penalized than he could be had he committed a criminal offense. The violator of an injunction is at the same time deprived of most of the protections provided for those who are charged with crime. Those charged with failure to observe the provisions of an injunction may not be granted a jury trial. They may be brought before a judge on a warrant issued by that judge, who is likely to be the same judge who issued the injunction.

3.22 *State anti-injunction laws.* Public opinion opposed to many applications of injunctions in labor disputes developed slowly. Hesitance to restrict use of injunctions in part reflects the strenuous efforts of many employers and their associations. In part, however, it also reflects popular recognition that unions were frequently delinquent in their observation of established rules of law and order. As in most industrial relations conflicts, the issue has two sides. Officers and members of unions have too frequently taken the law into their own hands. Employers have too frequently used the courts to enforce intolerable restrictions. Actually, both parties may need the injunction for their protection, as Teller has indicated.[1] Public policy has sought to establish principles that would ensure more satisfactory action by both parties.

As a result of the extensive campaign waged by organized labor against such use of injunctions in labor disputes, public policy in several states has placed important legal restrictions on labor injunctions. Sixteen states have enacted such legislation.[2]

The laws generally forbid ex parte procedure in state courts and further restrict the issue of court orders after the pattern of the Federal Norris-LaGuardia Act, described in the next section.

3.3 *Norris-LaGuardia Act* (1932). The Norris-LaGuardia Act represents a Federal statement of public policy in this controversial area. Approved by President Hoover on Mar. 23, 1932, the Federal statute:

1. Declares that public policy requires recognition of the right of

[1] Ludwig Teller, "The Taft-Hartley Act and Government by Injunction," *Virginia Law Review*, Vol. 35, No. 1 (1949), pp. 1–33.

[2] See Vol. 3, *State Labor Laws*, of the Prentice-Hall *Complete Labor Equipment*.

employees to organize and to bargain collectively through representatives of their own choice, free from interference or restraint.

2. Declares yellow-dog antiunion contracts to be contrary to public policy and unenforceable in any Federal court.

3. Forbids all subordinate Federal courts to issue injunctions that enjoin individuals or groups from

> . . . (*a*) ceasing or refusing to perform any work or to remain in any relation of employment; (*b*) becoming or remaining a member of any labor organization or of any employer organization . . . ; (*c*) paying or giving to or withholding from any person participating or interested in such labor dispute any strike or unemployment benefits or insurance or other moneys or things of value; (*d*) by all lawful means aiding any person participating or interested in any labor dispute who is being proceeded against in or is prosecuting any action or suit in any court of the United States or of any state; (*e*) giving publicity to the existence of, or the facts involved in, any labor dispute, whether by advertising, speaking, patrolling, or by any other method not involving fraud or violence; (*f*) assembling peaceably to act or to organize to act in promotion of their interests in a labor dispute; (*g*) advising or notifying any person of any intention to do any of the acts heretofore specified; (*h*) agreeing with other persons to do or not to do any of the acts heretofore specified; and (*i*) advising, urging, or otherwise causing or inducing without fraud or violence the acts heretofore specified. . . .

Further, the section following declares that these restrictions upon the courts may not be evaded by enforcing prohibitions upon grounds of conspiracy. It specifically declares that such actions may not be held to be conspiracies.

4. Revokes the rule laid down in the Danbury Hatters' case that union members may be held liable for damages caused by actions of other members. Unionists are to be liable only "upon clear proof of actual participation in or actual authorization of such acts or of ratification of such acts after actual knowledge thereof."

5. Modifies injunction procedure by requiring that no order shall be issued without testimony of witnesses in open court with opportunity for cross-examination, unless the situation is described under oath as so hazardous that irreparable damage will be done by any delay, in which case the employer must post a bond to cover damages thereby occasioned, as well as all court costs. In such cases, a temporary order limited to five days' duration may be issued.

6. Requires the petitioning employer to come into the court having complied with every provision of the law in respect to labor disputes and having made every reasonable effort to settle the difficulty by arbitration, mediation, or other peaceful means.

7. Limits restraining orders to such acts as are specifically complained of and shown to be imminent by evidence brought into open court.

8. Requires that permission for appeal to higher courts must be given, and effort must be made to expedite such action.

9. Requires that persons charged with contempt of court must be granted trial by jury, unless the offense is directly observable by the court; and specifies that where such an offense involves an attack on the judge, another court shall hear the case.

The Norris-LaGuardia Act did not represent the last word on the use of injunctions, however, for important questions of public policy remained unanswered. As was indicated in 1947, when the Federal government sought and secured an injunction against John L. Lewis, the public interest may require use of such court orders when area-wide or nation-wide stoppages endanger the public health or safety. That conclusion has been strengthened when railroad employees, in several cases, have refused to use the extensive mediatory machinery provided for settling disputes in transportation (Chap. 4, Section 7.42), preferring to strike for desired objectives. The Labor-Management Act of 1947 revised rules defined by the Norris-LaGuardia Act to permit Federal courts, at the request of the General Counsel of NLRB, to issue injunctions against jurisdictional disputes and secondary boycotts. Moreover, LMRA specifically provided for the use of injunctions to enforce a cooling-off period in disputes regarded by the President as threatening the public health or safety.

3.31 *Yellow-dog contracts.* One reference in this outline of the Norris-LaGuardia Act may not be clear because "yellow-dog contracts" have not been described in preceding paragraphs. These agreements, signed by employees when they accept employment, were widely used in the years before passage of the Norris-LaGuardia and National Labor Relations Acts. They specified that the employee would not be or become a member of a labor organization during the period of his employment. This guarantee on the part of the employee was, in effect, a condition of his employment. Failure on his part to observe these terms presumably justified his discharge.

These "yellow-dog" or "ironclad" contracts were widely opposed by unions. Organized labor sought to have them declared contrary to public policy and illegal in both Federal and state legislation.

Two important cases decided by the United States Supreme Court dealt with the legal status of these contracts. The first, that of the *Hitchman Coal and Coke Company v. Mitchell,*[1] generally known as the Hitchman case, arose out of efforts of organizers employed by the United Mine Workers of America to organize employees of the coal company who had signed a yellow-dog contract at the time of their employment. A lower court issued an injunction preventing union organizers from attempting to continue their campaign for members among these employ-

[1] 245 U.S. 229 (1917).

ees. That injunctive order was sustained by the United States Supreme Court on Dec. 10, 1917. The wording of the court decision in this case seems clearly to show that it found its justification for sustaining the injunction in that (1) the means used by organizers—"misrepresentation, deceptive statements, and threats of pecuniary loss"—were improper; and (2) "the purpose entertained by defendants to bring about a strike at plaintiff's mine in order to compel plaintiff, through fear of financial loss, to consent to the unionization of the mine as the lesser evil" was not regarded as a proper purpose of labor organization. It would appear that the court did not intend to imply that antiunion contracts may be legally protected or that all efforts to induce their breach are necessarily illegal.

The second of the two cases is that generally known as the Tri-City case.[1] In 1921, a situation very similar to that involved in the Hitchman case was again presented to the Supreme Court. The court held that an injunction that prohibits all efforts on the part of union organizers to persuade employees who have signed antiunion employment contracts to join a labor organization is improper. Justice Taft, in this decision, called particular attention to the grounds upon which decision had been made in the Hitchman case. He cited the fact that it was the means used in attempts at organization, rather than any possible breach of an antiunion contract, to which the court objected.

The other major question with respect to these contracts—that which concerns the possibility of outlawing them—has been the subject of similarly extended legal dispute. Nineteen states and the Federal government enacted laws declaring them illegal and contrary to public policy. The first case involving one of these acts to come before the Supreme Court of the United States was that known as *Adair v. the United States*.[2] A railroad employee who had signed an antiunion contract was discharged for joining a union. Labor leaders brought the case to the attention of the court, alleging that it was a violation of that part of the Erdman Act of 1898 which prohibited use of what were then known as "ironclad contracts." The court held, in 1908, that this particular provision of the Act was void, in that it violated the Fifth Amendment of the Constitution, which forbids the Federal government to deprive any person of liberty or property without due process of law. The court held that this provision of the Erdman Act interfered with the liberty of the employer in extending employment to persons of his own choosing.

The second of these cases is generally known as the *Coppage case*.[3] In 1903, the state of Kansas enacted a law making it illegal for employers

[1] *American Steel Foundries v. Tri-City Central Trades Council*, 257 U.S. 184 (1921).

[2] 208 U.S. 161 (1908).

[3] *Coppage v. Kansas*, 236 U.S. 1 (1915).

to exact a pledge of nonunion membership from employees and providing that violation of the act should be punishable by fine or imprisonment. Coppage, superintendent of a railway company, asked an employee of the company to sign an antiunion contract and discharged the employee for refusing to do so. Coppage was found guilty of violation of the statute, and the case was brought to the Supreme Court upon appeal. The Court held the state statute unconstitutional upon grounds that it violated the Fourteenth Amendment, which forbids the states to deprive any person of life, liberty, or property without due process of law.

3.4 *National Industrial Recovery Act* (1933) When the first "New Deal" administration of President Franklin D. Roosevelt took over in 1933, one of the early legislative actions was passage of the National Industrial Recovery Act. The Act was designed to "prime the pump" and facilitate recovery from the severe depression which had followed the decade of postwar prosperity after World War I. The law expressed several rather sharp changes in public policy in industrial relations, one of them involving the general acceptance of collective bargaining throughout industry. The Act stated, as Section 7*a*, that

> Employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint or coercion of employers, 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 and protection.
>
> No employee, and no one seeking employment, shall be required as a condition of employment to join any "company union" or to refrain from joining, organizing, or assisting a labor organization of his own choosing.

This was a distinct change from the public policy expressed in earlier court decisions on yellow-dog contracts, although it was consistent with the policy described in the Norris-LaGuardia Act. As disputes arose over interpretation of these clauses, the President appointed a temporary National Labor Board (seven members, chairmanned by Senator Wagner) to explain the law and thus to settle disputes that interrupted progress of the recovery program. When problems encountered by this temporary Board were publicized, Congress, in Joint Resolution 44 (1934), authorized the President to appoint a three-member National Labor Relations Board to administer Section 7*a* of the Act. The new NLRB was active until the Recovery Act was held unconstitutional on May 27, 1935. Meanwhile, its experience in defining the types of problems encountered under a public policy dedicated to the encouragement of collective bargaining laid the foundation for the most important provisions of the National Labor Relations Act.

3.5 *National Labor Relations Act* (1935). In 1935, almost immediately after the NIRA was held to be unconstitutional, the Federal Congress enacted the National Labor Relations Act. That law was, for twelve

years, the guiding statement of national public policy on collective bargaining. Together with several state labor relations acts modeled after it, this Federal statute expressed approval of collective bargaining, encouraged its widespread acceptance, and largely determined, through Board decisions and administrative regulations, the day-to-day rules of the game in defining bargaining units and according recognition to unions.

As noted above, the act reflects experience gained in the period dominated by the NIRA. During that period, as independent unions grew and employers expanded company unions, questions of representation assumed increasing importance. Various industry labor boards were established, some (as, for instance, the Automobile Labor Board, the National Steel Labor Board, the Textile Labor Board, and the National Longshoremen's Labor Board) created by executive order, others set up by code provisions (in bituminous coal, petroleum, daily newspapers, for example). The President, in an effort to relieve the tension of the period, appointed a temporary National Labor Board of seven members, under the chairmanship of Senator Wagner.

The National Labor Relations Act of 1935 sought to incorporate in a statement of public policy the principles developed by these boards in their efforts to implement recovery legislation. The new law created a permanent three-member National Labor Relations Board. The Board's functions were directly related to the major sources of difficulties in collective bargaining disclosed by the NIRA experience. First, the Board was authorized to decide questions of representation by (*a*) determining appropriate bargaining units, and (*b*) certifying bargaining representatives. Second, the Board was to prevent "unfair labor practices" used by employers to avoid collective bargaining responsibilities. Five such "unfair practices" were specifically designated by the Act, including (1) interference with self-organization—action of an employer designed to prevent employees from forming their own independent unions, including his support of a competing dependent or company union; (2) domination of an employee organization; (3) discrimination against an employee for union activity; (4) discrimination against an employee for complaint to the board; and (5) refusal to bargain collectively (a broad provision interpreted by the Board to mean that an employer must try in good faith to effect a satisfactory agreement if organized employees seek such an agreement).

It will be noticed that the Board was not authorized to exercise functions of arbitration or conciliation. In this area, problems were presumably to be referred to Federal or state conciliation services. The latter are generally authorized to arrange facilities for arbitration as well as for conciliation.

During the decade that followed, the NLRB developed extensive facilities and procedures to effectuate these functions. A nation-wide system of regional offices was created. Administrative rules and Board decisions spelled out details of public policy on the definition of bargaining units, elections and other procedures for identifying bargaining agents, and specific regulations with respect to unfair labor practices. Under NLRA, collective bargaining was broadly expanded. Union membership tripled, and employees working under conditions specified in collective agreements showed a similar increase.

3.6 *State Labor Relations Acts.* Meanwhile, since the jurisdiction of Federal legislation is limited to such areas as may be regarded as significant in interstate commerce, several states sought to define public policy for intrastate industry within their boundaries. Ten states created state labor relations acts, although not all were so titled.[1]

Earlier state laws follow the pattern of the earlier Federal act. They provide for the designation of bargaining units, the certification of bargaining agencies, and the prevention of unfair labor practices. Administration is generally placed in the hands of a state board, although the Minnesota act designates a state labor conciliator for that purpose. Several of them have combined the functions of the NLRB with conciliation, mediation, and arbitration or fact-finding. The public policy thus defined is essentially that outlined in the NLRA. In addition, however, several of the state laws require "compulsory delay" or cooling-off periods as means of reducing numbers of strikes.

Some of the more recent state legislation has reflected popular opinion that unions as well as managements require regulation in order to make collective bargaining effective. To that end, they have specified "unfair labor practices" of unions, including the use of coercion, intimidation, and violence, sit-down strikes, and refusal to accept the decision of a tribunal in a labor dispute. Five of the state laws include such provisions. Six laws add to the list of unfair employer practices outlined by the NLRA, although the practices mentioned have for the most part been held by the NLRB to be implicit in the Federal statute.[2]

3.7 *Labor-Management Relations Act* (1947). The National Labor Relations Act was passed in a period when unions were weak. The Act and the procedure followed in its administration were unquestionably responsible for an extensive growth in union membership. The Act was

[1] New York (1937), Utah (1937), Massachusetts (1938), Michigan (1939), Minnesota (1939), Wisconsin (1939), Rhode Island (1941), Colorado (1943), and Connecticut (1945). Several of the acts have since been amended.

[2] For details, see Charles C. Killingsworth, *State Labor Relations Acts*, Chicago, University of Chicago Press, 1948; Dale Yoder, "State Experiments in Labor Relations Legislation," *Annals of the American Academy of Political and Social Science*, Vol. 248, November, 1946, pp. 130–137.

intentionally "one-sided." It was intended to aid unions and to restrict employers by preventing their action to weaken unions. As unions acquired power and influence, some popular opinion began to question whether too much freedom had been granted them. Many NLRB decisions evoked widespread comment and criticism, especially those restricting employer statements to employees on matters of union activity. Demands for changes in public policy, as outlined in the NLRA, became increasingly frequent in the years just before World War II.

During the war, public policy in the industrial relations field was largely implemented by wartime, emergency agencies. The work of the NLRB was greatly reduced, as the War Manpower Commission and the War Labor Board, especially the latter, took over responsibility in this area. In recognition of wartime necessity for full production, unions gave their "no-strike" pledge and were given added responsibilities in these and related agencies. Collective bargaining was further encouraged by War Labor Board action, including the granting of maintenance of membership and compulsory checkoff provisions in collective agreements.

Years immediately following World War II were characterized by the most serious strikes since the postwar years following World War I. These stoppages, frequently causing public inconvenience and threatening the production of numerous consumers' goods that were in strong demand, increased popular support for reconsideration of public policy.

The Labor-Management Relations Act of 1947 reflects these circumstances. While question may be raised as to the declaration that it was "conceived in iniquity," there can be no question but that it was formulated in a period of unusual stress and strain. Postwar international relationships were tense. There was widespread fear of communist infiltration and domination of unions. The atmosphere of calm deliberation that is appropriate for planning and stating public policy in such important relationships was not possible at the time. A nation-wide tie-up of railroad transportation and a request by the President for authority to draft strikers into military service unquestionably influenced public opinion. Members of Congress sought to outline a long-term policy on collective bargaining and, at the same time, to satisfy popular demands for punishment of postwar excesses and reactions to the constraints of wartime regulation.[1]

The Act of 1947 was described as an amendment of the 1935 NLRA. Actually, however, some twenty-five distinct changes in Federal legislation on collective bargaining were introduced by the law. Not all of them, of course, involved changes in public policy, and some are little

[1] See, in this connection, Sumner H. Slichter, "The Taft-Hartley Act," *Quarterly Journal of Economics*, Vol. 43, No. 1, February, 1949, pp. 1–31.

more than definitions of terms about which there had been confusion or restatements of policy already expressed in the decisions and rulings of the National Labor Relations Board. Major provisions may be outlined briefly as follows:

1. PUBLIC POLICY STATEMENT. The earlier NLRA had stressed the function of collective bargaining as a means of avoiding industrial disputes and the necessity of encouraging unionism as a step toward equalization of bargaining power. The 1947 law added the conclusion that industrial strife will be lessened if employers, employees, and unions each recognize the rights of the others and the impropriety of any action that jeopardizes the public health, safety, or interest.

2. BOARD FUNCTIONS. The NLRB was given additional functions, notably that of holding elections on the union-shop issue. At the same time, to meet criticism that the Board had been both judge and prosecutor, the prosecution function was divorced from the Board and placed in the hands of its General Council (appointed by the President with the consent of the Senate). Board membership was increased from three to five.

3. UNFAIR LABOR PRACTICES. Unfair labor practices of employers, as defined in the earlier law, were unchanged, but six unfair labor practices of unions were also described, including (1) use of restraint or coercion on either employers or employees; (2) causing an employer to discriminate against an employee except for nonpayment of dues and fees; (3) refusal to bargain collectively; (4) engaging in jurisdictional strikes or secondary boycotts; (5) charging excessive or discriminatory membership fees; and (6) securing "exactions" (payments for work not performed) from employers.

4. CLOSED SHOP. The closed shop, which was expressly recognized in the earlier law, was made illegal.

5. UNION SHOP. Union-shop clauses were permitted only if authorized by a majority of employees in the unit in an election conducted by the Board. Moreover, in the union shop, employees could be discharged for loss of union membership only if they were expelled for failure to pay their union dues. No other offense against the union, no failure to follow union rules or to observe provisions of the collective agreement, even if it is regarded by the union as justifying expulsion, is acceptable as justifying an employee's discharge.

6. JURISDICTIONAL STRIKES. The 1947 Act expressly prohibited jurisdictional strikes, making them an unfair labor practice.

7. SECONDARY BOYCOTTS. Unions were forbidden use of the strike or other devices to force an employer or others to give up business relationships with third parties. Subsequent interpretations by NLRB include boycotts undertaken as a means of organizing under this ban.

8. DECERTIFICATION. The LMRA of 1947 requires NLRB to hold a secret election upon petition of 30 per cent or more of the employees in a bargaining unit asking that authority of their bargaining agent be rescinded.

9. BARGAINING DEFINED. The Act defined the earlier Act's requirement of bargaining as the obligation "to meet at reasonable times and confer in good faith" and to execute a written contract if requested by either party, but not "to agree to a proposal or require the making of a concession." The law requires 60 days' written notice to the other party of any intention to modify or terminate an existing agreement, and further notice to the Federal conciliation service and to any existing state service within 30 days if no agreement has been reached.

10. FREE SPEECH DEFINED. The Act incorporated rules essentially as developed by NLRB with respect to freedom of speech in its declaration that such expressions do not constitute an unfair labor practice if they contain no "threat of reprisal or force or promise of benefit."

11. CRAFTSMEN AND PROFESSIONAL EMPLOYEES. In defining bargaining units, the Taft-Hartley Act required NLRB to give craftsmen and professional employees opportunity to vote separately on whether or not they wish to be included in a bargaining unit that includes other employees.[1]

12. PLANT GUARDS. The Act forbade inclusion of plant guards in a bargaining unit with other employees or their representation by a union affiliated with the union of other employees.

13. SUPERVISORS. By definition of the term "employee," supervisors were excluded from the provisions of the Act, so that employers were relieved of any legal obligation to bargain with unions representing them.

14. VOTING ELIGIBILITY. One of the most bitterly criticized provisions of the law permitted the NLRB to refuse striking employees the right to vote under specified circumstances and to allow those who may have taken their place and are regarded by the strikers as strikebreakers to vote in such an election. Under this rule, it is possible for a union to lose its right to represent employees if that right is challenged during a strike through the votes of new employees replacing the strikers.

15. INJUNCTIONS. The 1947 law authorized the Board (not individual employers) to secure injunctions to prevent jurisdictional strikes and secondary boycotts. It further authorized Federal courts to issue such injunctions, thus limiting the rules imposed by the 1932 Norris-LaGuardia Act.[2]

[1] See J. Albert Woll, James A. Glenn, and Herbert A. Thatcher, "Craft Unionism and the National Labor Relations Act," *Labor Law Journal*, Vol. 1, No. 1, October, 1949, pp. 33–39.

[2] See Ludwig Teller, "The Taft-Hartley Act and Government by Injunction," *Labor Law Journal*, Vol. 1, No. 1, October, 1949, pp. 40–57.

16. SUITS AGAINST UNIONS. Employers were permitted by the Act to institute suits against unions for damages arising out of the violation of contracts or suffered as a result of jurisdictional strikes or secondary boycotts.

17. REPORTS BY UNIONS. To secure service from NLRB in holding a representation election or a union-shop election or in processing a complaint against an employer, a union is required regularly to report to the Secretary of Labor, indicating its title and place of business, officers and salaries, internal election procedure, dues and fees, details of membership qualifications and related procedure, and a balance sheet and operating statement for the most recent fiscal year.

18. NONCOMMUNIST AFFIDAVITS. As a further requirement for the services of NLRB, each union is required to file affidavits from its officers to the effect that they are not members of the Communist Party or any other similar group.

19. CHECKOFF. Limitations on the use of the checkoff of dues imposed by the Act require that it be authorized by written assignment that is not irrevocable beyond one year or the termination of the existing contract.

20. HEALTH AND WELFARE TRUST FUNDS. The 1947 law sought to regulate contributions to such funds by providing that employers can make contributions only to funds maintained in trust under a written agreement, with annual audits, segregation of funds for pensions, and administration by both parties.

21. POLITICAL CONTRIBUTIONS. As an amendment to the Federal Corrupt Practices Act, the LMRA provides penalties for contributions or expenditures by unions in connection with elections of Federal officials.

22. STRIKES BY PUBLIC EMPLOYEES. Strikes by employees of the Federal government are made unlawful and subject to severe penalty, including discharge and loss of civil service status.

23. COOLING-OFF PERIOD. The Act requires compulsory delay in industries affecting the national health or safety, with appointment of fact-finding commissions and an election among employees on the employer's "final offer."

24. CONCILIATION SERVICE. The Act established the "Federal Mediation and Conciliation Service" as an independent agency. The service was also authorized to create a 12-member national labor-management panel to act in an advisory capacity.

25. SIX-MONTH RULE. In an effort to avoid difficulties encountered as a result of retroactive application, the 1947 law provides that NLRB shall not issue a complaint based on a charge filed later than six months after the alleged unfair labor practice occurred.

Not all of these provisions represent major changes in public policy. Definitions of bargaining and of freedom of speech, for example, are

little more than the statutory restatement of NLRB practices, developed out of the experience of twelve years. Suits against unions were permissible before passage of the Act, so that this provision invokes no radically different doctrine. Limitations on use of the checkoff, the six-month rule, and the distinction accorded professional employees and craftsmen are procedural requirements. Other provisions represent more radical and positive revisions of earlier policy and practice.[1]

Several of the provisions remained matters of bitter controversy after passage of the Act, which was described by leaders of organized labor as a "slave labor" law. The Act was one of the major issues in the presidential election of 1948. President Truman campaigned on a platform including repeal of the Act. Major provisions of the law are to be given added consideration in the detailed description of public policy on various collective bargaining procedures. That description makes up the subject matter of the next chapter.

QUESTIONS AND EXERCISES

(Questions and exercises for this chapter are combined with those at the close of the following chapter.)

[1] For greater detail on the operation of the law, see *Hearings before the Joint Committee on Labor Relations*, Parts I and II, Washington, Government Printing Office, 1948; also "Union Contracts since the Taft-Hartley Act," *Studies in Personnel Policy* No. 94, New York, National Industrial Conference Board, August, 1948; also *The Taft-Hartley Act after One Year*, Washington, Bureau of National Affairs, 1948.

Chapter 19

Public Policy on Collective Bargaining (*Continued*)

4.0 Public Policy on Union Membership and Security

No question now exists as to the right of employees to join or organize unions of their own choosing. Public policy as expressed in the National Labor Relations Act as well as in several state labor relations laws has rarely been questioned in recent years. Questions as to the propriety of yellow-dog contracts, so sharply raised by the Hitchman, Tri-City, Adair, and Coppage cases, were answered in conclusive fashion by the NLRA. Nor is question raised as to the propriety of government encouragement of collective bargaining. Rather, the tendency has been toward increasing governmental intervention not only to bring the parties together for bargaining (as presumably contemplated by the 1935 Wagner Act), but to regulate the terms of collective agreements as well.[1]

Recognition as sole bargaining agent is now widely approved if a union is shown to represent a majority of employees. Experience has indicated that recognition as agent for members only is frequently a source of conflict. A union's insecurity in such situations encourages arbitrary action to hold members and retain recognition at the same time that the division of employees in the unit into two or more groups encourages rivalry, continuing organizational campaigns, and possible conflict.

4.1 *Union Security.* On the other hand, union security poses many difficult problems of public policy. Shall unions be granted monopolistic or semimonopolistic control of labor supplies? If so, shall they be allowed to control admissions to membership, retaining their earlier status as fraternal societies? Or shall they be required to admit all applicants?[2]

Although unions and union membership appear to have established themselves firmly, the question as to what degree of recognition and security should be granted unions in their collective bargaining relationships is still not clear. Prior to passage of the LMRA of 1947, one might

[1] See in this connection, Archibald Cox and John T. Dunlop, "Regulation of Collective Bargaining by the National Labor Relations Board," *Harvard Law Review*, Vol. 63, No. 3, January, 1950, pp. 389–432; also Waldo E. Fisher, "The Expanding Role of Government and Labor in the American Economy," *Bulletin* 18, Industrial Relations Section, California Institute of Technology, Pasadena, 1950.

[2] See, in this connection, Ludwig Teller, "Memorandum Submitted to the Senate Committee on Labor and Public Welfare . . . ," 1949 (reproduced in Report of the Committee Hearings).

have said that unions were entitled to whatever recognition they could secure. If they could get employers to join them in closed-shop agreements, public policy interposed no objections. Even where the closed shop combined with a closed union, no law forbade such an arrangement.

The LRMA changed these rules of the game. Closed-shop agreements were forbidden, as were preferential-shop provisions. The General Counsel of NLRB ruled that continued restriction of employment to union members, combined with the posting of employment rules, in the absence of an agreement, constitutes a violation of this provision. Such an arrangement was attempted by the typographers in newspaper and other print shops. Union-controlled hiring halls were also held to be violations. Some fourteen state legislatures have enacted legislation enforcing anti-closed-shop and similar restrictions.[1]

4.11 *Union-shop provisions.* Propriety of the union shop was not widely challenged until passage of the Taft-Hartley Act in 1947. That law, as has been noted, restricted union-shop agreements to situations in which they were approved by a majority of employees in an election conducted by NLRB. In the first year of the Act's operation, some 20,000 elections were held for this purpose. In 98 per cent of them, the vote was favorable. On the average, more than 90 per cent of those who voted cast their ballots in favor of the union shop. By the end of the first year, it appeared that the elections contributed little of value to the situation, since employees almost always approved. On the other hand, the 1947 Act, in its provisions that—under the union shop—employees expelled from the union can be discharged only if expulsion is for failure to pay dues, definitely weakened this form of union security. Attention has been given to union arguments on this point. Union members can work against the union, seek to engineer its disintegration or demise, or promote a rival organization without fear of being discharged for such action. Moreover, the new law's provision that elections shall be held for purposes of decertification upon petition by 30 per cent of all employees in a bargaining unit further weakened union security.

4.12 *Other types of union security.* The preferential union shop, as has been noted, is subject to essentially the same limitations as the closed shop. Under provisions of the LMRA of 1947, both are regarded as undesirable restrictions of job opportunities. Use of hiring halls under union control falls in the same category.

On the other hand, the application of these general principles is far

[1] The states include Alabama, Arizona, Arkansas, Florida, Georgia, Iowa, Maine, Nebraska, North Carolina, North Dakota, South Dakota, Tennessee, Texas, Virginia. In addition, Colorado, Kansas, and Wisconsin permit the closed shop only if it is approved by ⅔ or ¾ vote of employees. Delaware declares it to be contrary to public policy. See *Labor Report*, No. 49, New York, Prentice-Hall, Inc., May 27, 1948, p. 2.

from uniform. In many localities, for example, building tradesmen work under closed-shop or union-shop arrangements, with referral entirely a union function. Under the Taft-Hartley Act, plans were made to provide union-shop elections in these industries, but they were not carried out. No serious attempt was made to prevent union referral practices.

On the whole, the question as to what public policy is appropriate has not been clearly answered. It is clear that public elections on the union-shop issue have served little or no useful purpose. It is also clear that public policy is not willing to place control of job opportunities in the hands of private or semipublic labor organizations. On the other hand, public demands for additional "responsibility" on the part of unions are inconsistent with measures that effectively limit union control over on-the-job actions of union members. A sharp distinction apparently must be made between appropriate member criticism and action designed to reform the union on the one hand, and contract violation endangering the union's resources, on the other.

4.2 *Jurisdictions.* Little question has been raised as to the maintenance of geographic jurisdictions. On the other hand, disputes over trade and craft jurisdictions have long been subject to widespread criticism and ironic comment. There is no stated public policy on their peaceful application. But when these attempts at defining "private hunting grounds" emerge in disputes as to which union shall have the right to organize or to represent certain employees, public policy regards them as undesirable. In many such situations, employees, employers, and the public have been innocent but injured bystanders. In many instances, strikes have been called to force recognition of a union other than the one already certified as representative. For that reason, the LMRA of 1947 declared jurisdictional strikes to be out of bounds and authorized the NLRB to seek injunctions to stop such strikes.

4.3 *Management Security.* Public policy on management security is not well defined. Popular opinion to this time apparently holds that managements have generally been able to protect their own interests, that they have little basis for feeling insecure. On the other hand, during World War II, many managements sought to insert "management clauses" in the collective agreements they signed. When disputes arose and contracts were dictated by the War Labor Board, management clauses were regarded as appropriate. The definition of management "prerogatives" or functions was specified in a wide variety of such clauses. As noted, many of these clauses have been retained in postwar agreements.

4.4 *Range of Bargaining.* The 1947 Labor-Management Relations Act has not specified public policy on the important questions of area-wide and industry-wide bargaining. Public policy has sought to reduce inter-

regional wage differentials, as is indicated in minimum wage provisions of the Fair Labor Standards Act. Encouragement has also been given to uniformity in area wage rates by provisions of the Public Contracts Act and by Federal and state prevailing wage laws.

Discussion of values to be gained and lost to the public by encouragement of industry-wide bargaining continues. Those who favor industry-wide bargaining argue that it is desirable as a stabilizing factor. It removes many if not most working conditions from the area in which individual producers can seek or secure competitive advantage and thus limits "chiseling" on wages, hours, and related working conditions. To some extent, it thereby "stabilizes" or "immobilizes" plants and working forces. Since plants cannot move into "cheap" labor markets, they tend to remain where they are.

Opponents of industry-wide bargaining point to this condition as a liability rather than an asset. They insist that the procedure thus encourages inefficient production and retards progress. They argue further that it gives a union undesirable monopolistic power and that it endangers public welfare and safety by encouraging industry-wide work stoppages.

Congress has received a number of proposals to restrict industry-wide bargaining. None has been enacted into law. On the other hand, it may be noted that in several older industrial nations, notably England and Sweden, the trend has been toward industry-wide bargaining, with large associations of employers paralleling those of labor.[1] In England, this situation has been directly responsible for governmental intervention in work stoppages that were so inclusive as to threaten the nation's welfare. Experience with coal mining and railroad transportation in this country—in which a few union leaders have felt sufficiently powerful so that they could ignore governmental machinery and dictate terms upon which their industries would operate—has raised serious question as to the desirability of these inclusive agreements.

Industry-wide bargaining is, in many ways, a different type of procedure from the collective bargaining contemplated in declarations of public policy favoring such employer-union relationships. In practice, as noted in the 1949 fact-finding report in the steel industry, such industry-wide bargaining is a distinctive type of procedure. Individual local unions and individual employers tend to drop out of the process, leaving it to a few large employers and the top officers of the union. The pattern thus determined is accepted by the rest of the industry and may become a model for numerous subsidiary industries. Moreover, that pattern may largely dictate agreements in numerous other industries

[1] See, in this connection, W. S. Woytinsky, *Labor and Management Look at Collective Bargaining*, New York, The Twentieth Century Fund, Inc., 1949, pp. 2–24.

that "follow" the bellwether. In effect, therefore, such "industry-wide" bargaining is both less and more than industry-wide. It tends to reduce bargaining in somewhat the same way as does compulsory arbitration. The 1949 steel fact finders suggested that public interest requires reexamination of the definition and theories of collective bargaining in view of these distinctive characteristics of industry-wide bargaining.

5.0 Policy on Conflict Tactics

When collective bargaining breaks down, so that conflict ensues, the public is faced with many serious questions. Shall it take sides? Shall it assume that in conflict as in negotiation, encouragement must be given to unions as a means of securing approximate equality of power? Shall it permit either or both of the parties to indulge in breaches of what are generally regarded as the established rules of law and order? Strikes, picketing, lockouts, blacklisting, strikebreaking, boycotts, restriction of output, and related techniques and devices create serious public problems. The answers given in public law, regulations, and court decisions have not always appeared to be entirely consistent, nor even clear.

5.1 *Strikes.* The "right to strike" is not a general, inclusive, and unquestioned right, in spite of its frequent reiteration. There are and have been limitations on that right. During World War II, AFL and CIO voluntarily accepted a "no-strike" pledge in recognition of the national interest in the effective prosecution of the war. Their leaders worked valiantly to maintain that pledge. In peacetime as well, there are "special" situations and "special" groups of employees to be considered in appraising the "right to strike." President Franklin D. Roosevelt, well recognized as a great friend and benefactor of organized labor, nevertheless declared firmly that no such right is appropriate for government employees.

Yet the right to strike (or to lock out employees) appears to be an essential element in the system of voluntary cooperation of employers and unions contemplated in frequently stated public policy. Employees can scarcely be regarded as being permitted to bargain freely through unions of their choice if their unions cannot withhold the services for which they are bargaining. With these considerations in mind, the questions to be answered in public policy on the strike may be phrased as follows: (1) are there situations in which a strike may not be appropriate or proper in collective bargaining, and may be inconsistent with the definition of collective bargaining that is assumed in declarations of public policy favoring collective bargaining? And (2) are there situations in which full collective bargaining—strikes and all—is not in the best interests of the public nor approved by public policy?

Partially in answer to the first of these questions, certain strikes have

long been regarded as improper. Since the common-law rules of conspiracy have never been specifically voided with respect to unions, a strike may still be brought within the area thus defined. Hence the legality of a strike basically depends upon two considerations indicated by the Supreme Court of Massachusetts in 1888[1] and frequently enunciated since that time. These are (1) the legality of purpose of the strike, and (2) the legality of methods used in conducting it. If both are legal, then the strike is itself legal; but if either purpose or techniques used in a strike are illegal, then the strike is necessarily so. More recently, the NLRB has reiterated this distinction between cause or purpose and conduct of a strike.[2]

It might be assumed that to hold any strike illegal would amount to a direct contradiction of the Federal Constitution by which involuntary servitude is prohibited. In the case of individual employees, this constitutional provision is the basis for the well-established principle that courts cannot compel "specific performance" of contracts for personal services. The same rule does not hold, however, where a group of employees is involved. Justice Brandeis clearly stated the prevailing legal point of view in 1926, in his declaration that " . . . a strike may be illegal because of its purpose, however orderly the manner in which it is conducted. . . . Neither the common law, nor the Fourteenth Amendment, confers the absolute right to strike."[3]

The general line of differentiation established by the courts between strikes with legal purpose and those with illegal purposes may be stated as follows: if the strike is intended to secure additional economic advantages for employees, it is legal as to purpose. On the other hand, strikes that appear to intend injury to employers as their major objective are illegal. Borderline cases—and such cases are numerous—where both of these objectives are combined, represent complex situations for which no simple rule can be stated.

As to method, the general rule holds that strikes for approved purposes are proper as long as they do not involve violence, intimidation, or coercion. These terms are subject to broad interpretations and shades of meaning, and much confusion arises out of this latitude.

Under these rules, the sympathetic strike has been frequently held illegal, although its legality has been upheld in several states, including California, New York, Arkansas, and North Carolina. The balance between objectives in such a strike, between injuring employers and advancing the interests of striking employees, has more commonly been

[1] *Sherry v. Perkins*, 147 Mass. 212.

[2] *United Furniture Workers, Local 309, and Smith Cabinet Manufacturing Co.*, Case No. 35-CB-3, Apr. 30, 1948.

[3] *Dorchy v. Kansas*, 272 U.S. 306 (1926).

regarded as emphasizing injury to employers. Advantages to strikers are too indirect and distant to justify strike action. The essential question as to the legality of the sympathetic strike in most jurisdictions, therefore, becomes that of the degree of interest involved on the part of strikers.[1] The same rule applies to the general strike.

The sit-down strike is clearly illegal, as is the slow-down strike. Several state labor relations acts specifically outlaw them. The Supreme Court of the United States delivered an unqualified opinion on such strikes on Feb. 27, 1939. In a 5 to 2 decision rendered at that time, the Court not only declared the sit-down strike illegal, but concluded that the National Labor Relations Act could not properly be construed to justify reinstatement of employees who participated in such strikes. The case before the court was that of the Fansteel Metallurgical Corporation of North Chicago, Ill. In February, 1937, when sit-downs were at the height of their popularity, employees staged a sit-down at the Fansteel plant. The company secured an ejection order, and employees were driven from the plant by local police officers. The National Labor Relations Board found the company guilty of unfair labor practices and ordered the reinstatement of 92 employees, of whom at least 66 participated in the sit-down. The company refused to rehire the men, and the case came before the Supreme Court. The Supreme Court's decision declared that the sit-down strike was "illegal in its inception and prosecution." Moreover, the Court held that when employees resort to measures outside the law, they cannot claim protection afforded by the law, that the National Labor Relations Act cannot be construed to require employers to rehire employees who have participated in an illegal strike. The wording of the decision has been widely interpreted to mean that a similar rule prevails with respect to employees guilty of other illegal actions, such as violent or coercive picketing or other forms of intimidation.

On a somewhat similar principle, strikes called in violation of laws specifying that notice be given or that investigation by fact-finding commissions be concluded—in other words, in violation of "compulsory delay" provisions of Federal or state legislation—are illegal.

The 1947 Labor-Management Relations Act made it an unfair labor practice to use the strike as a means of forcing an employer to discriminate against an employee or to stop doing business with another employer, or to recognize a union when another union has been certified. That Act also prohibited jurisdictional strikes and strikes during the 60-day period after notice has been given of intention to seek modification or termination of an agreement.

Some confusion is frequently apparent with respect to strikes under-

[1] *Pickett v. Walsh*, 192 Mass. 572 (1906).

taken by unions in situations where the collective agreement bans such stoppages. Such strikes are not illegal, although the unions involved may be sued for damages sustained as a result of strikes.

In addition to these several situations in which the strike is regarded as being used improperly, there are others in which, it appears, the public interest requires a sort of modified collective bargaining, as implied in the statement of the former President. Thus, and apparently with some such modifications in mind, for certain groups of employees to strike for any purpose is regarded as improper. This is true, for instance, of employees of the Federal government and of some city and state governments, including members of police and fire departments. The 1947 LMRA specifically outlaws strikes of Federal employees, requiring their discharge and loss of seniority rights for such action. There is some question, also, whether courts would permit an extended strike on the part of employees of public utilities, where cessation of work would involve public danger or serious inconvenience.

Foreign countries vary greatly in the status accorded the strike. As has been noted, England outlaws strikes designed to coerce the government and certain strikes of employees in public utilities. Sweden makes most strikes during the period of a collective agreement illegal, and sympathetic strikes are limited. Further, employees proposing to strike must give seven days' notice to employers and to the district conciliator.

5.2 *Picketing.* The general rule as to the legality of conduct or means used in a strike has been stated as providing that the use of violence, coercion, or intimidation is illegal. Specific devices used in conducting strikes have been the subject of numerous decisions seeking to define their propriety in terms of this rule. Most frequently considered of these is picketing.[1]

There is little specific legislation on picketing. Public policy must be inferred from court decisions. In general, these decisions have hinged on the question as to whether picketing is "peaceful." Peaceful picketing, they have held, is legal; other picketing is illegal. But the issue as to what constitutes "peaceful" picketing presents a difficult question. At least one jurist has described his conviction that "the term 'peaceful picketing' is a self-contradiction and aptly describes nothing that is known to man."[2]

For a time, the courts applied what might be described as a "rule of numbers" in seeking to define peaceful picketing. They held, in effect,

[1] Note should be taken of the fact that picketing is not always associated with a strike. Pickets are sometimes posted about an establishment in the absence of any strike. Court decisions vary as to the propriety of such action. See Section 5.21 on stranger picketing, also *Lauf v. E. G. Shinner and Co.*, 303 U.S. 323 (1938) and *American Federation of Labor v. Swing*, 312 U.S. 321 (1941).

[2] *Cooper Co. v. Los Angeles Building Trades Council*, California Sup. Ct. (1941).

that mass picketing could not be peaceful. One of the definitive cases is that already mentioned in another connection, the American Steel Foundries or Tri-City case. In it the United States Supreme Court held peaceful picketing, which it described as persuasion, to be legal. The Court established the rule, however, that the nature and legality of picketing must be determined in each case by the court; and in the case under consideration, it ruled that one picket should be permitted for each point of ingress and egress about the premises involved. In *Truax v. Corrigan*,[1] a second case that contributed to this general rule, it was held that mass picketing is per se illegal, that it cannot avoid objectionable tactics, and that it cannot be made legal by state legislation.

Since 1932, the Federal Congress and several state legislatures have enacted legislation expressly forbidding injunctions that interfere with peaceful picketing They have thus indicated a growing tendency to regard picketing and violence as distinctly separable and to place major emphasis, in deciding whether picketing is legal, on the presence or absence of violence, coercion and intimidation. Thus, in 1941, the Supreme Court held in the Swing case[2] that picketing must be regarded as legal as an expression of freedom of speech, provided such demonstration is "disentangled from violence." In the same year, the Supreme Court decided the Meadowmoor Dairies case,[3] in which it ruled that picketing "blended with violence" might neutralize the right of freedom of speech.

In general, therefore, it appears that mass picketing and chain picketing may not in themselves be illegal. If, however, they involve threats or coercion, if they involve or encourage violence, if pickets elbow, nudge, push, or shove persons trying to pass through, or if they follow employees to their homes or threaten them, such picketing is probably illegal. State laws, and there have been several, tend to follow fairly closely the rule of Federal courts because of the constitutional guarantee of free speech.

5.21 *Stranger picketing.* The status of legislation limiting "stranger" picketing, in which pickets are not representatives of a union of employees, is not clear. Several states have sought to prevent such picketing, for it is frequently a subject of bitter controversy. The public may be irritated if pickets interfere with convenience, especially if it is known that pickets are not employees or that the union involved has no members among employees.

Supreme Court rulings on this point, however, appear to support

[1] 257 U.S. 312 (1921).

[2] *American Federation of Labor v. Swing*, 312 U.S. 321.

[3] *Milk Wagon Drivers Union v. Meadowmoor Dairies*, 312 U.S. 287, 61 Sup. Ct. 552 (1941).

peaceful picketing. The question is essentially that of what constitutes a "labor dispute," for Federal injunctions cannot be issued, under terms of the Norris-LaGuardia Act, to prevent peaceful picketing in a "labor dispute." Section 20 of the Clayton Act also declares that no injunction shall be issued to prevent specified union actions in a "labor dispute." In the Duplex case, the Court answered the question as to what constituted such a dispute by holding that Section 20 of the Clayton Act applied only to parties "standing in proximate relation to a controversy." The decision held that this provision was intended to protect only those who were "proximately and substantially concerned" in "actual dispute respecting the terms or conditions of their own employment. . . ."

The Norris-LaGuardia Act redefined the term "labor dispute." Section 13 specifically states that the term applies "regardless of whether or not the disputants stand in the proximate relations of employer and employee."

In 1937, the Supreme Court held, in the Senn case,[1] that the fact that no employees were members of the picketing union did not permit an injunction to stop picketing. In 1938, a similar rule was laid down in the Lauf case.[2] The employer was asked by the union to operate on a union-shop basis. He made no objection, but employees did not join the union. When the union picketed the plant, the employer sought an injunction to prevent the picketing. Although the lower court issued the injunction, this action was nullified by the Supreme Court, which held the picketing lawful.

5.3 *The Boycott.* Public policy on use of the boycott has been expressed both in court decisions and in legislation. The propriety of the primary boycott, generally defined as an agreement among members of a group not to maintain economic relationships with a particular individual or group, is well established. Such activities must not involve a group so extensive as to permit serious question as to whether the interests of all members are involved in the dispute, but, with this qualification, the status of the primary boycott is clearly established.

The secondary boycott, which involves efforts to induce third and relatively uninterested parties to cooperate in the movement—and may involve the coercion of these third parties—is generally held to be illegal, although this rule is not universal. Earlier decisions to that effect date back to 1886. Several states have enacted laws specifically declaring the secondary boycott illegal.[3] The Labor-Management Relations Act

[1] *Senn v. Tile Layers Protective Union*, 57 Sup. Ct. 857.

[2] *Lauf v. E. G. Shinner and Co.*, 303 U.S. 323, 58 Sup. Ct. 578.

[3] In 1948, 14 states had laws prohibiting the secondary boycott, including California, Colorado, Delaware, Idaho, Minnesota, Missouri, North Dakota, Oregon, Pennsylvania, Texas, Utah, Wisconsin, and Massachusetts.

of 1947 defined the same policy for industries whose products enter interstate commerce.

Court decisions show a sort of cyclical swing in decisions on the boycott. The rule with regard to efforts made by members of a local union who endeavor to secure cooperation of other members of organized labor in other localities in a boycott was first defined in a case already mentioned, the Danbury Hatters' case.[1] In that case, the union, having struck because the employer refused to conclude a trade agreement and operate upon a closed-union-shop basis, instituted a boycott against the concern, refusing to buy its products and maintaining an organized campaign to prevent all members of organized labor and merchants with whom they dealt from buying or selling products of the offending producer. The manufacturer entered suit against the union. The United States Supreme Court held the action of the union was an illegal restraint of trade and subject to provisions of the Sherman Act. Accordingly, triple damages were assessed against the union and its members.

Shortly after that case was finally decided, in 1911, there appeared a decision of the same Court in the Buck's Stove and Range Company case,[2] which further limited the range of legally possible boycotting practices. As a result of disagreements with the union of its employees, the company, operating in St. Louis, was held by organized labor to be unfair and was named in a "we-don't-patronize" list published in the *American Federation of Labor News Service.* The Supreme Court decision held that such publication constituted a conspiracy actionable under the Sherman Act and that it injured the property rights of the company. The injunction of a lower court had prohibited further mention of the case in publications of interested labor organizations. Leaders of the Federation had disobeyed this order to the extent of discussing the case, and had been held in contempt of the lower court on this account. On Dec. 23, 1938, Samuel Gompers, Frank Morrison, and John Mitchell had been sentenced to prison for this offense. On account of the appeal to the higher court, the sentences were not served. The Supreme Court ordered the sentences set aside, but upheld the lower court in enjoining the objectionable practice.

The doctrine regarding boycotts was further developed in 1921, in what is generally described as the Duplex Printing Company case.[3] The facts may be briefly summarized as follows: three companies, of which the Duplex was one, manufactured printing presses in Battle Creek, Mich. All had operated for a period of years upon a closed-union-shop basis through trade agreements with local unions. The

[1] *Loewe v. Lawlor,* 208 U.S. 274, 28 Sup. Ct. 301 (1908).

[2] *Gompers v. Buck's Stove and Range Co.,* 221 U.S. 418 (1911).

[3] *Duplex Co. v. Deering,* 254 U.S. 443 (1921).

Duplex Company determined to operate on an open-shop basis, however, and to organize a company-controlled union among its employees. When this change threatened, employees in the other plants were placed under pressure to force the Duplex to continue operations on a closed-union-shop basis. They faced the threat of having the other plants become open shop also.

Employees, in efforts to force the Duplex to continue closed-shop operations, secured the cooperation of unions of machinists and transport employees in New York City, to the end that the latter refused to work with, install, or transport Duplex presses. The boycott thus instituted was effective. The Supreme Court held that such a boycott, even though undertaken only by unionists (who were, however, members of associated unions) was illegal. The decision held that the right to continue business in an unmolested manner is a property right of the employer and that the provisions of Section 20 of the Clayton Act could not be held to legalize the secondary boycott or to prevent the use of the injunction in protecting such property rights.

A further blow to unionists appeared in the decision of the United States Supreme Court in the Bedford Cut Stone case, delivered Apr. 11, 1927.[1] In 1921, the company indicated its intention not to continue cooperation with locals of the Stone Cutters' Union and to organize a company union. When union recognition and a new agreement were refused, a strike occurred, followed by a lockout. The company then set up a representation plan.

Only the members of the Stone Cutters' Union, involving about 150 local unions having a total membership of approximately 5,000, participated in the boycott that followed these events. The national union ruled that local members would not work upon stone produced by the Bedford Company and its associates. The company, one of the limited number of large producers in the industry, appealed to the courts to force employees to discontinue the boycott, insisting that the action constituted an illegal restraint of trade. No charge of violence or other objectionable tactics was made. The Federal District Court and the Circuit Court of Appeals each refused to issue a restraining order, on the ground that cooperation, when it is limited entirely to members of a single interested labor organization, cannot be considered to involve a secondary boycott. But the Supreme Court, Justice Brandeis dissenting, issued an order directing that the action of the union be enjoined.

The decision was heralded as history-making by both unions and opponents of the boycott. Leaders of organized labor denounced the decision. On the other hand, *Law and Labor*, official publication of the League for Industrial Rights, an organization of employers formerly known as the

[1] *Bedford Cut Stone Co. v. Journeymen Stone Cutters' Assoc.*, 274 U.S. 37.

American Anti-boycott Association, declared that the ruling represented the result of 17 years of patient and unceasing effort on the part of the association.

After enactment of the Norris-LaGuardia Act in 1932, the point of view of the Supreme Court changed. The Act denies use of injunctions secured in Federal courts to prevent unions from "advising, urging, or otherwise causing," without fraud or violence, the usual objectives of labor organizations as defined in the Clayton Act. The Supreme Court interpreted this to mean, in the case of *Wilson and Co. v. Birl*,[1] that a secondary boycott could not properly be enjoined. The union in the case threatened customers with picketing if they accepted deliveries from Wilson and Company. Some customers were picketed. But the Court ruled that such "pressure" falls within the coverage of Section 4 of the Norris-LaGuardia Act and cannot be enjoined.

In 1940, the Supreme Court further limited its concept of an unlawful boycott in the Apex case.[2] The company manufactures hosiery, which is sold throughout the country. After a demand that the company enter into a closed-shop agreement, which was refused, a sit-down strike occurred. Union members held the plant for more than a month until ejected as a result of a court order. There was extensive destruction of machinery, finished products, and other property.

The company sued, seeking triple damages under the Sherman Act and arguing that the union's action was in restraint of interstate trade. The Supreme Court held, however, in a 6 to 3 decision, that such interference with trade was not the kind of "restraint" Congress intended. Rather, the decision said, "restraint" was intended to refer to price-fixing and marketing agreements that restrict commercial competition. The existence of violence, the majority opinion held, was a matter to be handled by local authorities. Thus, after 50 years, labor secured an interpretation of the Sherman Act with which it fully agreed.

A similarly restrictive ruling was made in the Anheuser-Busch case in 1941.[3] Carpenters employed on construction work for the company became involved in a jurisdictional dispute with machinists, refused to work, and picketed with banners declaring the concern unfair to organized labor. They further recommended to unionists and their friends that they not purchase the company's product. The Supreme Court held that all these actions were lawful, explaining that Congress, in the Norris-LaGuardia Act, substituted its own definition of lawful conduct for that defined by the Court in the Duplex and Bedford cases.

The Labor-Management Relations Act of 1947 again changed the

[1] 105 F.2d 948 (1939).

[2] *Apex Hosiery Company v. Leader*, 310 U.S. 469, 60 Sup. Ct. 982.

[3] *United States v. Hutcheson*, 312 U.S. 219, 61 Sup. Ct. 463.

rules. The LMRA expressly outlawed the secondary boycott. It further modified the Norris-LaGuardia Act to provide for use by NLRB of injunctions to prevent secondary boycotts. Also, it authorized suits by employers for damages sustained as a result of such boycotts. But the National Labor Relations Board has ruled that this ban does not prohibit "hot cargo" or "struck work" provisions in collective agreements. Such provisions permit union members to refuse to handle materials from a plant in which a strike is in process.

The problem as to what constitutes an objectionable secondary boycott is not simple. Public policy apparently seeks to support such a boycott if the union's action is directed against a concern that is intentionally assisting the union's opponent in a labor dispute. Perhaps the distinction between what should be permitted and what should not could be based on the presence or absence of knowing and intentional assistance. If an employer—not a primary party to a dispute—knowing of the dispute sought to cooperate with or assist the employer involved, then the boycott might be permitted. Such a public policy has been suggested.

5.4 *Restriction of Output.* The right of unions to limit output of their members, to set "bogeys," has not been questioned. But public policy on some of the more obvious means of restriction, involving the forced employment of employees who do not work, has been the subject of legislation. In 1934, the Hobbs or Federal Anti-racketeering Act was passed. It outlawed the use of violence, force, coercion or intimidation to secure "exactions" (*i.e.*, extortions) from employers in interstate commerce. But its provisions exempting the actions of labor organizations in carrying on their lawful activities were held by the Supreme Court in 1942 to prevent its application to a union that required truckers to employ an extra union driver or pay a day's wages.[1] The union enforced this rule against all trucks entering one city from outside the state. As a result of this and other similar rulings, the Anti-racketeering Act was amended in 1946 to prohibit any interference with interstate commerce by robbery or extortion. Discussion at the time the Act was amended clearly indicated the intention to prevent such make-work practices on the part of unions.

In 1946, Congress also enacted the Lea Act. The law made it illegal to require employment by radio stations of more employees than were needed or to pay for more employees than were actually working. It was designed especially to curb "featherbedding" practices of the American Federation of Musicians. It was widely known as the "Anti-Petrillo" Act, after the president of the union. The act was held constitutional in 1947.[2]

[1] *United States v. Local* 807, 315 U.S. 521, 62 Sup. Ct. 642.

[2] *United States v. Petrillo*, 332 U.S. 1, 67 Sup. Ct. 1538.

In 1947, the Taft-Hartley Act further limited featherbedding and restrictive practices. The act forbids collection of "exactions" for services which are not performed or not to be performed." The provision has been tentatively interpreted by the NLRB's general counsel to prohibit "stand-by crews" and other similar devices.

5.5 *Employer Tactics.* Public policy on tactics used by employers in their dealings with unions has been defined fairly inclusively in the specification of unfair labor practices by Federal and state labor relations acts, by antistrikebreaking legislation, and by restrictions on the activities of private detective agencies. Regulations imposed by the NLRB in its interpretation of the unfair labor practices prohibited by the NLRA were continued in the LMRA of 1947. The only major change in these rules imposed by LMRA was that which instructed the Board not to regard an employer's speeches to employees as constituting an unfair labor practice in the absence of threats or promises.

No complete list of all employer action found by NLRB to be improper as an unfair labor practice would be either appropriate or possible here.[1] But the most frequently objectionable actions may be noted. Discharge for union membership is an obvious violation. So also are threats to discharge for this reason, or threats to blacklist employees or to close down or move away or substitute machines for employees if the latter join a union. Any threat or action to reduce wages or to increase pay that is coupled with or conditioned on remaining outside the union is improper. Use of spies or attendance of supervisors at union meetings is also outlawed.

Encouragement of a company-dominated union or provision of financial or other support for such a union is forbidden by the National Labor Relations Act. Discrimination against union members in hiring, in pay, in layoffs, in work assignments, in transfers, promotions, and demotions is forbidden under these unfair practice regulations. Recriminatory action against an employee who files charges with NLRB is also forbidden. Refusal to bargain in good faith is an unfair practice. It means that an employer must be willing to consider and discuss union proposals, to meet for that purpose, and to make counterproposals, but not necessarily to accept union demands.

In addition to these rules arising out of the definition of unfair labor practices in Federal law, several state laws make it illegal to refuse to accept the decision of a tribunal (fact-finding commission or arbitrator). Some state legislation also specifically prohibits employment of industrial spies. Several states refuse to license private detective agencies that provide industrial armed guards.

Strikebreaking activities of employers and their associations are also

[1] For detail, see one of the labor reporting services.

regulated by the Federal Byrnes Act of 1936 (as amended in 1938). The law makes transportation of strikebreakers in interstate commerce a felony. No person may be transported across state lines to interfere with peaceful picketing or other legitimate activities of unions.[1]

Public policy with respect to the regulation of employers' associations, as may be noted from preceding paragraphs, is well established. If collective bargaining is to be firmly grounded, however, it is possible that public policy should also undertake the sponsorship and encouragement of bargaining associations of employers, paralleling the large associations of unions. There is some evidence that assistance to unions, particularly under the Wagner Act of 1935, has resulted in an imbalance of power not unlike that which preceded the Act, except that, in many local situations, the inequality is reversed.[2]

5.6 *Mediation and Conciliation.* On one type of governmental intervention in labor disputes little controversy has arisen. That is the provision of public facilities for mediation and conciliation. As noted in Chap. 4 (Section 7.4), Federal, state, and local governments maintain these facilities. Their services may be secured on request by either of the parties or they may intervene on their own initiative. An apparent trend toward more positive conciliation, in which officials take the initiative in proposing bases for settlement, is notable, so far as the work of Federal and state services is concerned.

Question has been raised as to the auspices under which these services are to be administered. Until 1947, Federal services were maintained as a part of the Department of Labor. The LMRA made the service an independent agency.

5.7 "*Cooling-off Periods.*" Public policy has approved some additional intervention in threatened work stoppages beyond the provision of voluntary mediation and conciliation. Such additional intervention takes the form of enforced "compulsory delay" or "cooling-off periods." It requires the parties, in all or specified types of disputes, to accept the services of mediators and conciliators and to delay actual cessation of work for specified periods. In some cases, compulsory delay is coupled with provisions for (1) compulsory investigation of disputes, (2) publicity of findings, and (3) publicity on recommendations for settlement.

Such provisions are not new. Canada has experimented with enforced delays coupled with compulsory investigation since shortly after the turn of the century. Somewhat similar provisions were established for

[1] For evidence that such tactics had not entirely disappeared in 1943, see *Senate Report* 398, "Violations of Free Speech and Rights of Labor," Washington, Government Printing Office, 1943.

[2] See John T. Dunlop, "A National Labor Policy," Chap. 25 in *Saving American Capitalism*, New York, Alfred A. Knopf, Inc., 1949.

transportation in the United States by the Railway Labor Act of 1934. Several states have followed this example. The Federal LMRA of 1947 requires delay and fact finding in industries affecting the public health or safety.

5.71 *Canadian provisions.* The Canadian Industrial Disputes Act of 1907 applied only to public utilities and mines. It provided that no changes in wages, hours, or other conditions of employment should be made by employers without 30 days' notice of the intention to make such changes and that no cessation of employment by employees should be undertaken unless similar notice was given. Thus an opportunity was provided for each party to the industrial relationship to determine whether or not proposed changes could be regarded as satisfactory. If there was no general agreement as to the desirability of such changes, either party could ask for an investigation. The governor-general was authorized to appoint a commission of three members for this purpose. Until its work was complete and its results given publicity, work stoppage was prohibited. Violation of this provision was punishable by fine.

Both employers and employees came to regard the law with favor, although it was generally opposed by a large portion of both groups at the time of its enactment. Unionists were originally bitter in their denunciation of it, pointing to the fact that to give 30 days' notice of a proposed strike appeared almost certain to limit its effectiveness. Results did not justify this apprehension, however. In 1925, when the law was voided by the English Privy Council, unions joined in a movement to amend the basic law of the Dominion to permit such legislation. They urged similar enactments in local legislation throughout the provinces. As a result, provincial legislation has now actually extended the coverage afforded by the earlier dominion law. It is generally believed that this Canadian legislation has prevented many potential strikes.[1]

5.72 *Compulsory investigation in the United States.* In the United States both Federal and state laws have reflected the Canadian experience. The Federal government incorporated compulsory delay provisions in the Transportation Act of 1926. The Act, as has been noted, created special facilities for handling disputes on the railroads. Disputes over the rights of the parties as defined by existing collective agreements are submitted to the National Railroad Readjustment Board. That Board's decisions are final and binding, except that money awards may be reviewed by the courts. Disputes involving the "interests" of the parties—issues not covered by existing agreements—go to a National Mediation Board. If the Board cannot find a satisfactory solution for such disputes, the Act proposes arbitration. If this process

[1] B. M. Selekman, "Law and Labor Relations," *Business Research Studies*, No. 14, Boston, Harvard Graduate School of Business Administration, March, 1936.

fails to settle the issue, the President is authorized to appoint an emergency board to investigate the dispute. No work stoppage is permitted for 30 days following the report of the emergency board.

Since 1947, the Federal government has also provided for compulsory delays in other disputes threatening the public health or safety. Under regulations imposed by the LMRA for such disputes, the President is authorized to appoint a special board of inquiry to inquire into the issues and facts and to report to him within a period he may prescribe. After he has received such a report, the President may seek an injunction preventing a work stoppage. If he does so, he is required to reconvene the board of inquiry, which is allowed 60 days in which to prepare a further report, which shall include statements by each of the parties indicating their positions and a statement of the employer's last offer. This report is to be released to the public. During the 15 days following this report, the NLRB is required to hold an election on the question of the employer's last offer. The injunction is discharged following release of election results. In effect, the act provides for compulsory investigation and a period of compulsory delay that may amount to as much as 80 days.

It is notable that this Federal law provides compulsory delay, compulsory investigation, and publicity on issues and facts, but that it specifically prohibits recommendations for settlement by the board of inquiry. Whether fact-finding reports shall include such recommendations is much discussed. Those who framed the Act apparently shared the fear of many critics of compulsory investigation—that if commissions make proposals for settlement, the procedure may readily have the effect of compulsory arbitration, destroying collective bargaining and leading directly to governmental determination of wages, hours, and other working conditions. On the other hand, it is notable that the President, when a steel strike was threatened in 1949, avoided procedure of the Act and authorized the commission he created to advance its recommendations as well as the facts.

5.73 *State provisions.* The procedure of investigation is widely used in major disputes throughout the states, and four states—Colorado, Michigan, Minnesota, and Wisconsin—require compulsory delays in all such situations or in industries of great public interest.[1] The Minnesota law may serve as an example of this type of legislation. It requires ten-day notice of all threatened stoppages, both strikes and lockouts. If, in the opinion of the governor, the threatened stoppage endangers the

[1] See Charles C. Killingsworth, *State Labor Relations Acts*, Chicago, University of Chicago Press, 1948; Dale Yoder, "State Experiments in Labor Relations Legislation," *Annals of the American Academy of Political and Social Science*, Vol. 248, November, 1946, pp. 130–137.

public health or safety, a 30-day delay may be required. In that period, a special fact-finding commission is appointed to hear the dispute and prepare its findings and recommendations.

Although organized labor has expressed some opposition to laws requiring delays, there has been no determined effort to secure their repeal. On the other hand, there is evidence that they have reduced numbers of strikes.[1]

5.8 *Arbitration.* Both unions and managements have shown an increasingly favorable attitude toward voluntary arbitration as a means of settling their disputes in recent years. Some unions and managements appear willing to submit all types of disputes to neutral third parties. Other unions and managements are unwilling to arbitrate unsettled contract provisions but approve arbitration in disputes arising out of the application and interpretation of collective agreements. All such arrangements, although awards are final and binding, are examples of *voluntary* arbitration. The parties voluntarily, either by the terms of their contract or by stipulation, agree to submit unsettled issues to a neutral third party or parties and to accept their decision.

Public policy has favored this usage. That is evidenced by state practice, in which mediation agencies recommend arbitration and assist parties in securing arbitrators and by the fact that the Federal Conciliation and Mediation Service has continued a similar course, long maintained by earlier Federal services. For many years, the Federal service provided arbitrators without charge to the parties. This procedure was modified in 1946, but the service continues to encourage and assist in arbitration.

With respect to compulsory arbitration, no such unity of viewpoint can be described. Most expressions from unions and managements sharply oppose any such procedure. Compulsory arbitration—the requirement that parties shall submit their differences to a neutral third party, whose decision shall be final and binding on them—is regarded as inconsistent with the basic philosophy of free collective bargaining. For this reason, proposals that the device be used generally secure little popular support. But this situation changes when a serious threat of work stoppage in a major industry arises. When tie-ups of rail transportation are imminent, or electric power or city water appears likely to be cut off, or some other services affecting virtually the entire public—either in a single area or throughout the nation—are threatened, then demands that the parties arbitrate are widely voiced.

In such situations, compulsory arbitration may be the only acceptable answer. On the other hand, the public should clearly understand the

[1] See Jack Stieber, "Ten Years of the Minnesota Labor Relations Act," *Bulletin* 9, Minneapolis, University of Minnesota Industrial Relations Center, 1949.

probable results of a course that enforces this control. For it may readily mean the disintegration of collective bargaining in the industry. Neither unions nor employers are likely to take bargaining too seriously, knowing that if they do not agree, a third party will settle their differences. Either or both parties may feel they are likely to secure a more favorable settlement from such a neutral third party. Hence, conditions of employment in such industries may be determined on a basis satisfactory to neither of the parties. Moreover, if such conditions are to be determined by outsiders, question may reasonably be raised whether an established governmental agency would not be superior to *ad hoc* arbitrators. In that case, compulsory arbitration might lead directly into public wage fixing and regulation of working conditions in industries of great public interest.

5.81 *Compulsory arbitration in New Zealand.* New Zealand has had a long experience with compulsory arbitration. An act passed in 1894 established a Court of Arbitration having final jurisdiction in industrial disputes. There is no appeal from its decisions. This court includes three members, one each to represent the state, employees, and employers. It is a court of last resort and considers only cases that have been dealt with by local arbitration councils, similarly constituted, which were also created by the act. Employees become subject to the act at their own volition and only as members of unions that voluntarily agree to abide by its provisions. Unions may withdraw from participation in the procedure at any time. They may be organized to represent any 15 or more employees, although the intent of the act was to secure the cooperation of trade-unions with much larger memberships. In return for their agreement to participate in arbitration procedure, they receive a preferred status, which virtually amounts to governmental enforcement of a closed union shop in all industries in which they are employed.

When disputes appear, conciliation is attempted. If it fails to resolve the dispute, commissioners of conciliation form local boards which combine the functions of mediators and arbitrators. Failing to secure a satisfactory settlement from one of these boards, parties may carry the dispute to the Court of Arbitration, which will decide it. The court has full power of investigation. Strikes and lockouts are forbidden pending a decision. When an award is announced, the period for which it is to be effective is made a part of the award. No work stoppages for issues involved in the award are permitted during this period. The law has been amended so that the Court of Arbitration is also given power to fix wages in various industries.

The plan has appealed to many neighboring states. Victoria, New South Wales, and most other industrial provinces of Australia are now

provided with similar legislation. The government of the Australian commonwealth has had a compulsory arbitration law since 1904. That law provides that parties to a dispute involving employees or employers in more than one state must submit their differences to a Commonwealth Court of Conciliation and Arbitration. Decisions of that court are final and must be accepted.

Australian experience cannot be regarded as demonstrating that compulsory arbitration is a simple and highly satisfactory solution for labor disputes, especially those that involve hazards to public health and safety. For a partial explanation of organized labor's willingness to accept the device was unquestionably to be found in the fact that the government was labor dominated. Moreover, the procedure has not prevented serious strikes. Even during World War II serious strikes endangered the war effort.[1]

5.82 *Compulsory arbitration in the United States.* Compulsory arbitration has been little used in the United States. No Federal legislation specifies its application; the most stringent regulation imposed by the Federal government is compulsory investigation and enforced delay, now required both by the Railway Labor Act and the Labor-Management Relations Act. Several states have legislation prohibiting work stoppages in public utilities and specifying seizure and/or compulsory arbitration if such stoppages threaten or occur. Earliest of these laws is that of Kansas, passed in 1920. Eight states (Florida, Indiana, Michigan, Missouri, Nebraska, New Jersey, Pennsylvania, and Wisconsin) enacted laws providing for compulsory arbitration in 1947. Three additional states (Massachusetts, North Dakota, and Virginia) provide for seizure of public utilities if they become involved in work stoppages.[2]

Coverage of the acts generally includes electric light and power, gas, water, telephone and telegraph, and transportation. In addition, Michigan and Minnesota statutes require similar dispute settlement for public hospitals. Most common provisions specify an arbitration panel of three members. Laws provide penalties for violation and allow review and enforcement of arbitration awards through the courts.

[1] See Edwin E. Witte, "Experience with Strike Legislation Abroad," *Annals of the American Academy of Political and Social Science*, Vol. 248, November, 1946, pp. 138–146; also W. Rupert Maclaurin, "Compulsory Arbitration in Australia," *American Economic Review*, Vol. 28, No. 1, March, 1938, pp. 65–81; also A.E.C. Hare, *Industrial Relations in New Zealand*, Wellington, Whitcomb and Tombs, Ltd., 1946.

[2] Michigan substituted fact finding for compulsory arbitration by amendment in 1949; New Jersey also amended the law to provide more specific guides for arbitrators, in accordance with a court decision that held the original act deficient in this respect. See, in this connection, Harold S. Roberts, "Compulsory Arbitration of Labor Disputes in Public Utilities," University of Hawaii Industrial Relations Center, March, 1949. See also Vance Julian, "Mediation of Labor Disputes in Missouri Public Utilities," a paper presented before the Industrial Relations Research Association, Dec. 30, 1949.

Experience under the laws is limited, so that conclusions as to their value and usefulness must be tentative. In several instances, the threat of compulsory arbitration appears to have encouraged parties to settle their differences among themselves. In others, the same threat has stimulated managements and unions to include clauses in collective agreements prohibiting any cessation of output and automatically extending contract provisions until they are superseded by negotiated changes. Other clauses apparently encouraged by the requirement of compulsory arbitration provide for voluntary arbitration of unsettled differences. Questions of the constitutionality of various laws remain unsettled.

Because most state legislation is comparatively recent, particular interest centers on experience gained under the Kansas Industrial Court Act, passed in 1920. As a result of the large number of strikes throughout the nation following World War I, a widespread popular fear that the labor movement was passing into the hands of "radicals," and some particularly violent clashes between labor leaders and state officials in Kansas, this law was enacted in 1920.[1] The manufacture of food and clothing, coal mining, the transportation of these items, and the services of generally recognized public utilities were held to be industries of great public interest. Employees in these industries were prohibited from ceasing or planning to cease operations and from attempting to induce others to do so. A special tribunal consisting of three members was established to settle industrial disputes. It was authorized to make investigations, hear disputes, decide them, and enforce its awards upon both parties. It was empowered to establish wage rates, fix hours, and otherwise determine working conditions in such industries. The law did not prevent strikes, in spite of its stringent provisions. In 1923 and again in 1925, the Supreme Court of the United States held portions of the act unconstitutional. Wage-fixing powers of the court were declared unconstitutional so far as they affected industries that were not public utilities. Meat packing was held not to be affected with sufficient public interest to justify such regulation.[2] In 1925, the legislature of the state abolished the court and transferred what remained of its power to the state public service commission. Since that time, limited appropriations and widespread opposition have tended to restrict enforcement to investigation and publicity.

5.83 *Fact-finding commissions.* In the United States, use of fact-finding commissions has been regarded as probably the best answer to

[1] See Domenico Gagliardo, *Labor Legislation in Kansas*, Lawrence, University of Kansas Bureau of Business Research, 1931.

[2] *Wolff Packing Co. v. Court of Industrial Relations*, 262 U.S. 522, 43 Sup. Ct. 630 (1933), and *Wolff Packing Co. v. Court of Industrial Relations*, 267 U.S. 522, 45 Sup. Ct. 411 (1925).

the question of what to do about threatened work stoppages in industries of great public interest. Fact-finding procedure has been preferred to compulsory arbitration, from which it differs sharply. For the results of fact finding are compulsory on no one. The theory behind the procedure holds that when the facts are known and given publicity, with recommendations for settlement, parties will be forced to adopt a reasonable course in settling their difficulties. Fact-finding procedure is essentially that already described as "compulsory investigation." Commissions made up of three or more members hear the parties and thereafter release a summary of issues, contentions of the parties, findings of fact, and (usually) recommendations for settlement. Commissions may be tripartite, representing employers, unions, and the public, or they may be composed entirely of public members. They usually have authority to subpoena witnesses and records. Under state laws, parties may be forbidden to initiate any work stoppage pending release of the fact-finders' report. Federal legislation sets a similar requirement in LMRA provisions for dealing with threatened stoppages in industries affecting the public health or safety, already described.

Experience with such commissions is extensive. They were specified for use as a last resort under provisions of the Federal Railway Labor Act of 1926. The Federal Department of Labor has long followed the practice of appointing such boards of inquiry when mediation and conciliation were unsuccessful and parties would not accept arbitration. Presidential fact-finding boards sought solutions for major strikes threatened in the postwar reconversion period. Meanwhile, several states have accumulated experience with such boards, including Minnesota, which has specified such commissions for all stoppages in industries of great public interest since 1939.

Commissions may be appointed when stoppages threaten or after they are in process. Boards hear the parties, consider their arguments, make a finding of facts, and usually outline their recommendations for settlement. (The Federal statute expressly forbids such recommendations.) Their reports are released to the press. In many situations, the whole procedure inevitably creates an atmosphere of conciliation, and issues are resolved and stoppages averted. Boards may find themselves acting as mediators or conciliators, rather than investigators. At the same time, their function—if they make recommendations—takes on much of the flavor of compulsory arbitration, for parties may feel constrained to accept their proposals.

On the other hand, such commissions have by no means solved the problem of protecting the public interests in labor disputes. Both unions and managements have frequently denounced them as, in effect, imposing arbitration on the parties. They have frequently—especially

when boards are tripartite—failed to find a basis for recommendations on which board members could agree. In such cases, minority dissenting recommendations may prevent development of unified public opinion. Issues may be so complicated that public interest lags. Under state laws, boards may be created in many minor disputes of doubtful public concern, so that public attention fails to focus on the procedure when it is applied to those of more serious nature.

In the absence of recommendations, little public interest in or support for the work of such commissions can be expected. Public attention can probably not be focused on issues in all their detail and complications. Neither can the public be expected to support the proposals of boards of inquiry—or even to show much interest in them—if boards are created for a multiplicity of minor disputes. The question as to whether boards should be tripartite or composed solely of public members has not been resolved. Possibly a compromise arrangement in which boards include labor and management representatives who are, however, not closely related to the parties in the dispute may be most satisfactory.

6.0 Union Responsibility

As unions have come to include an increasing proportion of all employees, public policy has reflected this growth in union prestige and power in its insistence that they be regarded as quasi-public institutions. Unions have shed much of their earlier character as private fraternal associations. Public regulation of collective bargaining—or at least of its preliminary stages—through Federal and state labor relations acts reflects awareness of this transition.[1] At the same time, attempts have sought to "make unions responsible" for their actions. Steps in this direction are notable in provisions of both Federal and state laws permitting or encouraging their registration and reporting and in Taft-Hartley Act provisions with respect to court injunctions and lawsuits against unions.[2]

6.1 *Incorporation of Unions.* In earlier years, those who sought to increase the responsibility of labor organizations frequently proposed the incorporation of unions. Few labor organizations in the United States are incorporated. Leaders appear generally to believe that incorporation is undesirable, that the position of labor organizations is more secure when unions are not incorporated. Suits for damages directed against unions and their members are, such leaders believe,

[1] See, in this connection, George W. Taylor, *Government Regulation of Industrial Relations*, New York, Prentice-Hall, Inc., 1948, Chap. VI.

[2] See Neil W. Chamberlain, "Collective Bargaining and the Concept of Contract," *Reprint* 11, Yale University Labor and Management Center, 1948 (from *Columbia Law Review*, Vol. 48, September, 1948, pp. 829–847)

prevented by the fact that individual members may have little attachable property and that property belonging to the union is difficult to discover and to attach. Because these difficulties are clearly recognized, it is argued, may suits are avoided.

Numerous employers, on the other hand, have insisted that if unions are to enjoy public encouragement and protection, they should assume appropriate responsibility. They argue that so long as unions are unincorporated, collective agreements are one-sided contracts, enforceable only against employers. They suggest that the principal reason why courts have been willing to grant injunctions against unions is the fact that they are largely immune to suits for damages.

It should be noted that this alleged immunity from damage suits and assessments is not a legal immunity in the United States. In England, unions are specifically exempted from damage suits arising out of acts representing furtherance of a labor dispute if the latter is within the law. No such legislation is in force in this country. Attention has already been called to the decision of the court in the Danbury Hatters' case. In that decision, damages were assessed against the union and its individual members. The same viewpoint was expressed by the Supreme Court in the Coronado Coal Company case.[1] The Company was engaged in the operation of an open-shop mine. Unionists sought recognition as bargaining agent for employees. Members of the miners' union started a fire and occasioned destruction of coal loaded in railroad cars ready for shipment. The company asked a judgment of triple damages against employees and their union on the ground that the fire constituted restraint of trade, punishable under the Sherman Act. The Court failed to approve the contention that the act of the union constituted illegal restraint of trade. On the other hand, it took occasion to state specifically that labor organizations may be sued and their funds attached. Although the case was ultimately settled out of court in an arrangement whereby the union paid $27,500 instead of the $600,000 asked by the company, it clearly indicates the fallacy of the contention that unions if unincorporated are immune to suits for damages.

Further, while it is true that suits against labor organizations and their members are not generally profitable, it is also true that they are numerous and that in no small number of them settlements are made that involve payments on the part of labor organizations.

Unions have not always opposed incorporation. The Philadelphia Typographical Society was incorporated in 1809, and the New York Society accepted a charter in 1818. Both the National Labor Union and the Knights of Labor sought Federal legislation permitting their incorporation, principally as a means of avoiding applications of the

[1] *United Mine Workers v. Coronado Coal Co.*, 259 U.S. 344, 42 Sup. Ct. 570 (1922).

conspiracy doctrine to their members. A Federal law permitting the incorporation of such organizations was approved on June 29, 1886. It was not repealed until July 22, 1932, although the attitude of unionists had completely changed and they had urged its repeal for more than a decade.[1]

Union objections to any procedure in which they must assume a status approaching corporate identity are numerous. They insist that such arrangements would not prevent racketeering; that many unions already make regular financial reports to their members; that to make public the names of union members would expose many employees to action by antiunion employers; that incorporation would make changes of affiliation—for instance, from AFL to CIO—difficult; that unfriendly courts might throw unions into a receivership because the union's activities did not appear to the court to be within the scope of its charter; that employers might wreck unions by long-extended damage suits. Moreover, they point to the fact that employers' associations are seldom incorporated.

Some of these objections appear reasonable, and others are of a more questionable nature. In some unions adequate reports of financial activities and detailed accounting of funds are well established. Incorporation probably would not improve them. In other unions, however, this situation is not common. Dangers of disclosing the facts of union membership seem considerably overdrawn in the light of present legislation prohibiting unfair labor practices. Claims that changes of affiliation would be more difficult appear to be well founded. That unions might be restrained to activities described by their charter or registration does not seem an unreasonable requirement. That court interpretations of charter provisions might vary from those of union members is a situation analogous to that assumed by every incorporated business. The argument that freedom from incorporation reduces damage suits has been considered in preceding paragraphs.[2]

On the other hand, existing types of incorporation are not satisfactory for establishing the semipublic character of unions. The present nonprofit corporation does not, in many states, have to make reports of funds and of activities at regular intervals. The usual business corporation, with its various classes of stock and its stockholders, is obviously inappropriate. Unions are not profit-making enterprises, and their structure

[1] "Historical Review of Trade Union Incorporation," *Monthly Labor Review*, Vol. 40, No. 1, January, 1935, pp. 38–44.

[2] See, in this connection, discussions of labor racketeering in Philip Taft, *The Economics and Problems of Labor*, New York, Stackpole and Heck, 1948, pp. 540–548; Donald B. Robinson, *Spotlight on a Union*, New York, Dial Press, Inc., 1948, pp. 159–174; Joel Seidman, *Union Rights and Union Duties*, New York, Harcourt, Brace and Company, Inc., 1943, pp. 111–118.

does not conform to the pattern of such units. Probably, therefore, the most desirable arrangement is one permitting registration similar to that facilitated by English legislation or that provided by several state laws and the Federal Labor-Management Relations Act of 1947.[1]

6.2 *Responsibility and Union Security.* The Labor-Management Relations Act of 1947 sought to secure union responsibility by specifically stating that unions may be sued for damages arising out of jurisdictional disputes, secondary boycotts, and stoppages undertaken in violation of contract provisions. But lawsuits against employees are not an entirely satisfactory answer. The employment relationship has in it something of the same nature as marriage. The parties have to cooperate if the relationship is to be successful. The basis for that cooperation is largely destroyed if employers sue the union of their employees.

On the other hand, public policy must expect a large degree of responsibility from unions, since the latter have been fostered by legislation and granted a protected status by law. Registration, under these circumstances, is one tangible evidence of the acceptance of responsibility. More important is the recognition by all unions that they are semipublic institutions, that their leaders must be statesmen with a high regard for the public welfare. For the same power that has granted free unions their present position can surround them with regulations and restrictions, as was the case in Germany and Italy in the years just preceding World War II.

Professor Paul Fischer has well stated the demands of public policy, so far as unions are concerned, in his "Trade Unions Under the Wagner Act."[2] He says:

> The fact that labor unions derive their power to conclude collective-bargaining agreements with normative effect by delegation through the Wagner Act has still more important ramifications. To guarantee to the delegating sovereign an unhampered functioning of the delegated powers, as in cases of administrative agencies, adequate standards for the guidance of private actions have to be erected. That means, first of all, that labor unions, although left free to deal with the employers, have to conform their actions to the general principles of fair conduct established by the nation.

Fischer's statement suggests the further question as to how much status and security must be granted to unions if they are to be held responsible for the actions of their members. At the same time that the LMRA sought to place added responsibility on unions, as noted, some of

[1] See Myrick H. Sublette, "The Futility of Incorporation," *American Federationist*, Vol. 45, No. 2, February, 1938, pp. 156–159; David J. Saposs, "Union Responsibility and Incorporation of Labor Unions" (mimeographed), National Labor Relations Board, Feb. 2, 1938.

[2] In *Oregon Law Review*, Vol. 21, No. 1, December, 1941, pp. 37–62.

its regulations tended to reduce members' responsibility to their unions. In efforts to prevent "job control" by unions, to avoid situations in which employees are required to join unions and maintain their membership in order to secure and hold employment, and to reduce the power of union "bosses," the law removed some of the union authority that is the other side of the responsibility "coin." For the fact is, as has been noted, that union responsibility implies a degree of authority if not autocracy on the part of union officials. To some degree, they must be "bosses"—however democratically selected—if they are to control their members and guarantee fulfillment of contractual provisions. By limiting control over jobs under union-shop provisions—preventing discharge except for nonpayment of dues—and facilitating decertification, the ability of unions to ensure responsible action by their members is unquestionably reduced. The 1947 law thus limited a union's ability to require responsibility on the part of its members at the same time that it sought to increase the union's "responsibility" for acts of its members.

Resolution of this dilemma involves consideration of the whole question of the status to be granted to unions in modern society. It poses one of the most difficult problems of current public policy.

7.0 Political Activity of Unions

There is the strong possibility, as Professor Slichter has said, that we are moving into a "laboristic" society.[1] In national elections of 1944 and again in 1948, unions were able to "deliver the vote," both in supporting their friends and in opposing those they regarded as enemies. Such success is most unusual, for most elections have appeared to indicate that the labor vote could not be "delivered," that union members would not follow the directions of their leaders in voting.

Organization of the CIO Political Action Committee and the successful efforts of organized labor in these elections have encouraged serious consideration of what may be the proper public policy on unions in politics. Thinking on this point has been further stimulated by at least one $500,000 union contribution to a campaign fund.[2] In 1947, the Taft-Hartley Act established a new rule in its provisions amending the Corrupt Practices Act whereby unions were placed in the same category as financial and business concerns and were barred from contributing to campaigns of candidates for Federal offices. The provision states that "it is unlawful for . . . any labor organization to make a contribution or

[1] Sumner H. Slichter, "Trade Unions in a Free Society," Cambridge, Harvard University Press, 1947. See, for a description of labor leadership, C. Wright Mills, *The New Men of Power*, New York, Harcourt, Brace and Company, Inc., 1948; also Eli Ginsberg, *The Labor Leader*, New York, The Macmillan Company, 1948.

[2] See William Leiserson, "Growing Pains of the American Labor Movement," *Annals of the American Academy of Political and Social Science*, November, 1942, pp. 1–9.

expenditure in connection with any election at which Presidential and Vice Presidential electors or a Senator or Representative in, or a Delegate or Resident Commissioner to Congress are to be voted for, or in connection with any primary election or political convention or caucus held to select candidates for any of the foregoing offices. . . . "

This policy was widely attacked by spokesmen for unions. It was alleged to be unconstitutional as well as unfair. Unionists insisted that since their candidates seldom enjoyed the patronage of wealthy individuals, unions should be free to assist them.

Answers to the questions thus raised are not clear. There appears to be general agreement that campaigns to get out the vote, to see that voters are registered, to assist them in getting to the polls, and to acquaint them with the records of those who are running for office are appropriate and laudable. How much further unions should be permitted to go is presently a matter of widespread discussion.

7.1 *Democracy in Unions.* There is a distinct public interest in the maintenance of democratic control in labor organizations. Several states have legislation designed to ensure members that their rights as individuals will be protected. On the other hand, there appears to be reluctance on the part of many unions to permit members to have a review of their individual grievances against the union by a neutral third party. Such a review would appear reasonable, just as it is reasonable in arbitration of grievances against a management.[1]

The whole question of union democracy is complicated by relationships to union security and the status of labor organizations in present-day society. It reflects the facts that (1) they are no longer small fraternal associations, but have come to include a large portion of all citizens; (2) they have been publicly encouraged, supported in their objectives, and defended from attacks of employers; (3) they have been permitted by provisions of the Clayton, Norris-LaGuardia, and National Labor Relations Acts and administrative and judicial rulings to engage in activities—restrictions of trade, picketing, boycotts—formerly prescribed and not generally available to other types of associations. Under these circumstances, the basic question of union democracy asks: how much public intervention in and regulation of internal union affairs is justified? Shall conflicts and disputes within a union be subject to

[1] See, in this connection, the report of the American Civil Liberties Union on "Democracy in Trade Unions," mimeographed, Aug. 17, 1943; see also Joseph Shister, "Trade-union Government: A Formal Analysis," *Quarterly Review of Economics*, November, 1945, pp. 78–112; John Dunlop, "A National Labor Policy," Chap. 25 of *Saving American Capitalism* (Seymour Harris, ed.), New York, Alfred A. Knopf, Inc., 1949; Sumner H. Slichter, "The Taft-Hartley Act," *Quarterly Journal of Economics*, Vol. 43, No. 1, February, 1949, pp. 1-31; Herbert A. Shepard, "Democratic Control in a Labor Union," *American Journal of Sociology*, Vol. 54, No. 4, January, 1949, pp. 311–316.

adjudication by an outside tribunal or shall such difficulties be regarded as matters of private, exclusively union, concern?

Several states have given at least partial answers to these questions in what are known as "union democracy" laws. They allow review by courts or by special referees of intraunion issues upon petition by a substantial number of union members. Union opposition to such laws is powerful. Moreover, only a small segment of the public has shown any interest in these questions. They may be expected to attract increasing attention in the future.[1]

8.0 Workers' Education

Efforts of numerous labor organizations to provide special educational courses for their members have long received commendation if not actual support from the public. Several colleges and universities and numerous high schools have made facilities available to unions for this purpose. Staff members in these institutions have often served as instructors in the courses thus provided.

Beginning in 1942, bills were introduced in Congress providing for financial aid in these programs. They were modeled after the well-established procedure by which Federal funds are provided for training in agriculture and for other vocational training. Although no such legislation was successful before 1949, the generally favorable attitude toward these proposals suggests strong public support for union educational activities. In so far as these courses represent indoctrination and the teaching of a special interest-group "line," the propriety of public support is doubtful. But for courses designed to prepare members for more active and effective citizenship and professional leadership in industrial relations, public support appears as justified as it is for other adult education.

QUESTIONS AND EXERCISES

1. Explain how public policy sets the "ground rules" for collective bargaining.
2. Show that long-term trends in public policy have tended to grant increasing privileges to unions.
3. How have rules of conspiracy been applied to activities of unions?
4. Describe the policies implied in early Combination Acts.
5. What is the significance of the Taff-Vale case?
6. How has historic policy on collective bargaining in the United States differed from the policy in England?
7. What Federal legislation in the United States has sought to establish public policy on collective bargaining?
8. Explain the significance of each of the following laws in developing or expressing

[1] See in this connection Benjamin Aaron, "Protecting Civil Liberties of Members within Trade Unions," paper presented before the Industrial Relations Research Association and the American Economic Association, Dec. 29, 1949.

public policy with respect to collective bargaining: Norris-LaGuardia Act, National Labor Relations Act, Sherman Act, Clayton Act, Taft-Hartley Act.

9. Describe the significance attached to the Danbury Hatters' case.

10. Why was the Clayton Act described as labor's Magna Carta?

11. Explain the application of injunctions in labor disputes and organized labor's objections to this practice.

12. How did the Norris-LaGuardia Act modify earlier public policy on the use of injunctions in labor disputes?

13. How did the LMRA of 1947 further change rules regarding use of the injunction?

14. How may the injunction be necessary to protect labor's interests?

15. Cite evidences that injunctions may be necessary to protect the public interest.

16. Explain changes in public policy with respect to the use of yellow-dog contracts.

17. What is the significance of the Adair and Coppage cases?

18. What public policy on collective bargaining was expressed in the National Industrial Recovery Act?

19. Indicate how experience under provisions of NIRA laid a foundation for the National Labor Relations Act of 1935.

20. Outline the functions assigned the NLRB by NLRA.

21. Describe the rules of the game for collective bargaining outlined by state labor relations acts.

22. Summarize in outline form the principal changes in public policy introduced by the Federal Taft-Hartley Act in 1947.

23. How did the LMRA change the rules regarding union-shop provisions?

24. What are the prevailing rules of the game on union membership and union security?

25. Compare various forms of union security with respect to the privileges granted to unions.

26. Describe current public policy on industry-wide bargaining in the United States.

27. In what ways is industry-wide bargaining a different type of relationship from usual local bargaining?

28. What are present ground rules in the United States with respect to the right to strike? Are there special rules for public employees?

29. What basic questions underlie public policy on the right to strike?

30. Describe the evolution of public policy with respect to picketing, mentioning the Truax, Swing, Meadowmoor, and Senn cases.

31. Describe changes in public policy on use of the boycott by labor organizations, mentioning especially the Danbury Hatters' case and the Bucks' Stove, Duplex, Bedford Cut Stone, and Apex cases, and the Labor-Management Relations Act of 1947.

32. Explain the significance of each of the following cases: *Duplex v. Deering, Bedford Cut Stone Co. v. Journeymen Stone Cutters, Danbury Hatters, Truax v. Corrigan, Jones and Laughlin.*

33. What current public policy can be described with respect to union devices or practices that involve restriction of output or exactions?

34. Describe current rules of public policy defining the proper and improper actions of employers and their associations in collective bargaining.

35. Describe past and present public policy with respect to compulsory delays and investigation, indicating objectives and results.

36. What objections are made to the inclusion of recommendations in fact-finding reports?

37. What can be said with respect to current public policy on the use of arbitration and fact finding in industrial relations?

38. Describe hazards involved in compulsory arbitration.

39. Should fact-finding commissions be tripartite?

40. What current practices limit the effectiveness of fact finding?

41. Describe current policy with respect to union responsibility, mentioning the incorporation or registration of unions, the Coronado Coal Co. case, and relevant provisions of LMRA.

42. What are the current ground rules in the United States with respect to political activities of labor and employer organizations?

43. Describe the questions that must be faced in seeking to develop an acceptable public policy on union democracy.

Chapter 20

Some Economic Implications of Collective Bargaining

This chapter seeks to outline some of the possible economic effects of the collective-bargaining process in labor markets. It is concerned with the manner in which the activities of unions and of employers and their associations may influence the allocation, utilization, and conservation of manpower and other resources and the distribution of income. More specifically, the chapter seeks to raise such questions as: how do usual practices of collective bargaining affect the disposition and allocation of manpower? Do they influence utilization and conservation of resources other than manpower? How do these practices affect employment and incomes, both of union members and of other manpower? What influence do they exert on other working conditions? What practices are of particular importance in each of these relationships?

1.0 Tentative Nature of Conclusions

There is no shortage of hypotheses and opinions on these points. Reference has been made to some of the many relevant theories in earlier chapters on wages, employment, and hours of work. The "bargaining theory" of wages, for example, is presumed by many to be the answer to questions about the effects of collective bargaining on wages and levels of employment. Other opinions, frequently conflicting, hold that collective bargaining has raised the level of wages, that it has no appreciable effect in this direction, that it has increased employment, that it has reduced employment; still others hold that it has enforced improved utilization of manpower, that it has tended to prevent such utilization; that conservation of human resources has been advanced by collective bargaining, that such conservation has been retarded. These are but examples of frequently expressed theories or hypotheses with respect to *what has happened.* For the most part, they must be regarded as little more than opinions, with questionable evidence to support them. To permit dependable conclusions, much more information, based on carefully planned studies of *what consistently happens* in well-defined labor markets, is essential.

The fact is that although opinions and theories are numerous, few of them are based on such investigation as is essential to support them. Most of them reflect the results of limited observation combined with a

large measure of reasoning and some speculation. Reference to footnotes in this and other similar reports on the current status of manpower economics will provide ample evidence of this situation. A large portion of the references describe rationalizing rather than investigatory procedures. Nowhere in the field of manpower economics is this limitation on essential research more apparent than in discussions of the economic implications of collective bargaining.[1]

As a result of these limitations on extensive and reliable information, there is a tendency to dismiss the economics of collective bargaining with the simple assertion that unions are monopolistic and therefore the conclusions generally outlined as characterizing monopolistic behavior are applicable to the collective-bargaining process in labor markets. That such a conclusion is unwarranted should be apparent, for several reasons. In the first place, unions do not necessarily dominate the labor markets in which they represent employees. Employers and their associations are important participants as well. Secondly, with whatever measure of control they may exert over supplies of manpower, unions do not have the same objectives as monopolies in product markets. They are by no means generally motivated by the single or even predominant objective of maximizing the incomes of their members. As has been frequently noted in earlier pages, other prevailing policies may often overshadow any such economic goal. Noneconomic objectives frequently have higher priorities than economic goals.[2]

In discussions that follow throughout this chapter, the limited factual evidence currently available should be clearly recognized. Possible relationships described in the various sections of the chapter should be regarded as statements of plausibilities and hypotheses, rather than as demonstrated realities. In effect and for the most part about all that any attempt at generalization can do—at this stage in the development of manpower economics—is to pose questions for further study and suggest hypotheses that may be worthy of attempts at validation or refutation.

On the other hand, there is clear-cut evidence that collective bargaining

[1] Outstanding in this area of research are Sumner H. Slichter's *The Challenge of Industrial Relations* (Ithaca, N.Y., Cornell University Press, 1947); his *Union Policies and Industrial Management* (Washington, The Brookings Institution, 1941); the Twentieth Century Fund study of *How Collective Bargaining Works* (New York, The Twentieth Century Fund, Inc., 1942); and such valuable studies of particular labor markets as Gladys Palmer's *Union Tactics and Economic Change* (Philadelphia, University of Pennsylvania Press, 1932), Clark Kerr and Lloyd Fisher, "Multiple-employer Bargaining" (in R. A. Lester and J. Shister, *Insights into Labor Issues*, New York, The Macmillan Company, 1948), and W. H. McPherson, *Labor Relations in the Automobile Industry* (Washington, The Brookings Institution, 1940).

[2] See, in this connection, Henry C. Simons, "Some Reflections on Syndicalism," *Journal of Political Economy*, Vol. 52, March, 1944, pp. 1–25; Paul H. Douglas, "Wage Theory and Wage Policy," *International Labour Review*, Vol. 39, No. 3, March, 1939, pp. 319–359.

and its economic implications can be observed, recorded, and analyzed. Worth-while studies have been and are being made.[1] Such analyses—covering a wide variety of local labor markets—can provide a realistic basis for generalizations on the economics of collective bargaining.

A further word of caution may be in order. Value judgments with respect to various collective-bargaining practices and their apparent effects must be carefully considered if not entirely avoided. For societies, as has been noted, have multiple rather than single objectives. Societies may from time to time prefer less economic efficiency in order to attain or conserve other values that are regarded as more important. For example, the function of unions in apprenticeship programs or in restricting the power of employers may be regarded as more important to society than the most efficient allocation of manpower resources. Full employment or increased leisure may be considered more immediately desirable than improved utilization or higher material living scales.

1.1 *Normative Assumptions.* Implied assumptions as to how economic processes would operate in the absence of collective bargaining seem to be unavoidable in such a discussion as is undertaken in this chapter. There is distinct advantage, therefore, in recognizing and stating them at the outset. In general, it is assumed that, if there were no modifications imposed by collective action on the part of employers and employees, manpower and other resources would roughly reflect a process of distribution dictated by a "marginal productivity pattern" under conditions ranging from pure competition to various degrees of monopoly. Their compensation would be dictated by the same pattern. These are clearly assumptions, but they appear to be reasonably acceptable, although there are reasons for believing that, in the absence of collective bargaining, employers take advantage of their greater economic power in dealing with individual employees. In this presentation, collective bargaining is regarded as introducing practices that modify these basic or normative processes. Such practices may facilitate allocation, utilization, and conservation of resources according to the normative pattern. They may, on the other hand, occasion variations away from that pattern.

1.2 *Significant Variables.* In an appraisal of the effects of collective bargaining on manpower and other resources, several variables appear so frequently that they deserve special mention. One of these is the level or proportion of labor costs in individual industries. Effects of various collective-bargaining practices are found to be quite different in industries

[1] See the references already listed in this chapter and Arthur M. Ross, *Trade Union Wage Policy*, Berkeley, University of California Press, 1948; also his "The Influence of Unionism upon Earnings," *Quarterly Journal of Economics*, Vol. 62, No. 2, February, 1948, pp. 263–286; also comment by R. A. Lester, *ibid.*, No. 5, November, 1948, pp. 763–770.

in which labor costs vary in significance. Another frequently encountered variable is the elasticity of demand for labor and, closely related, the elasticity of product demand. If variations in product price may exert a far-reaching effect upon consumption and employment, this elasticity may be controlling or determinate, so far as the effects of a particular practice are concerned. Similarly significant is the pricing policy of a firm or industry, for the same reason. Such policy is important because it may stimulate or preclude changes in consumption that would follow normally from the elasticity of product demand.

Another variable that continues to "bob up" and influence the effects of various practices is what may be regarded as employer and union priorities in their objectives and goals. This variable reflects the fact that employers, their associations, and unions do not have single objectives. Like societies, their goals are multiple. They consider, from time to time, what have been described as "alternative gains." Employers are not always seeking solely to minimize wage rates; unions do not always seek merely to raise them. A union may prefer greater control of grievances or shorter hours or more substantial union security—at a given time—to higher wage rates. An employer or his association may prefer to grant higher wage rates if a union shop or extensions of seniority can be avoided.

1.3 *Aggregative Effects.* Throughout the various sections of this chapter, attention is focused on the effects of collective bargaining in individual labor markets and in individual firms or groups of firms. The influence of collective bargaining may readily carry beyond these markets; it may occasion the movement of larger labor supplies into them or cause some present supplies to seek employment elsewhere. The focus of attention in this discussion, however, remains for the most part on what happens within the individual market.

A natural tendency to try to translate these individual market effects into an aggregate influence on the entire economy must be regarded with caution. Such market supplies of or demands for labor cannot be readily aggregated. The whole cannot be assumed to be the sum of the parts, largely because the relationship among markets is itself complicated. Supplies for several markets frequently overlap, as do demands in other markets. The aggregate effect of collective-bargaining practices, for this reason, cannot be inferred from an analysis of the situation in a single firm or labor market. To appraise aggregate effects, a distinctly different approach is essential.

1.4 *Emphasis on Union Practices.* In sections that follow, more space and detailed consideration are given to union policies and practices than to those of employers. That procedure is both reasonable and realistic, however, for unions have been and are the "moving parties" in most

collective bargaining. They tend to set the pattern for negotiations, to determine what modifications of "normative" processes shall be considered. Their initiative has been a more effective force in redefining labor marketing processes than has the usual action of employers, who have largely sought to confine and resist the practices proposed by unions. As a result, the union often occupies the most prominent if not a predominant position in a labor market, while the chief objective of an employer may be to maintain the *status quo.*

Numerous exceptions to this pattern may be noted, especially in markets in which employers are effectively organized. Frequent reference is made, in the pages that follow, to the part played by individual employers and by their associations in such situations.

2.0 Collective Bargaining and the Allocation of Resources

Major questions to be considered in this section of the chapter may be phrased as follows: (1) does collective bargaining exert a significant influence on the allocation of manpower resources, and, if so, what is the nature of that influence? (2) What particular collective bargaining practices are especially significant in this connection? (3) How may collective bargaining influence the allocation of resources other than manpower?

Because emphasis throughout the section is placed on allocation of resources, effects of collective bargaining on employment in individual labor markets assume a prominent position. The close connection between employment and wages is frequently noted, but specific attention to effects of collective bargaining on wages is reserved to a later section of the chapter.

2.1 *Union Practices and Allocation of Manpower.* Many union policies and practices have apparent implications for manpower allocation. Attention is here directed, for examples of these relationships, to organizational activities, efforts to maintain union security, programs designed to create demands for products, wage and hour policies, conflict tactics, and educational and political activities. These specific union programs are cited; in addition, the general function of a union in providing and disseminating information with respect to employment opportunities presumably exerts a significant influence on allocations of manpower.

2.11 *Organizational activities.* Attempts by unions to organize labor supplies or to maintain and extend their organization may influence manpower allocations to the markets in which they operate. Some wage earners may prefer to remain outside a market that is in process of organization; others may leave a market because of the conflict that sometimes accompanies organizational activities. Some of the devices used to effect or maintain organization may influence demands for man-

power. Union members and others may be influenced, for example, by union-label campaigns, so that consumption of labeled and unlabeled products is affected. If sales of unlabeled products suffer, their distress may be quickly translated into reduced employment. If employment follows the pattern intended by those who promote the label, losses of employment in one market will presumably be balanced by additional demands for and allocations of manpower to other markets.

If the label is required on materials in process, results may be more complicated. Not only may production and employment be transferred from one labor market to another, but utilization may become inefficient, so that additional manpower is required to maintain output. Thus, for example, electric light fixtures wired in the factory in which they were produced may have to be rewired at the time of installation. Such obvious waste may either require more manpower in the installation process or it may restrict both consumption and employment, depending on the elasticity of demand for such installations.

Other union organizational practices, by restricting supplies, may reduce employment, exerting a selective effect that has significance for manpower utilization (see Section 3.0 below). Too little evidence is available to justify conclusions as to over-all effects of these practices. Annual reports on the effectiveness of the union-label program are presented at AFL and CIO conventions. Reports indicating the effects of the label in creating extra work and increasing labor costs are frequently circulated by employers.[1] More careful studies are essential, however, to any inclusive and objective appraisal.

2.12 *Union security and recognition.* Similarly significant in influencing the allocation of manpower are the usual practices of business unionism in advancing and maintaining union security. The closed shop, for example, may exert a powerful influence on the disposition of manpower. Its effect is magnified if the closed shop is combined with jurisdictional and other membership restrictions. In such situations, in which the union's control over labor supplies is far-reaching and effective, the normal "pull" of job opportunities may be sharply checked.

Closed union arrangements may limit manpower supplies by specifying stringent requirements for admission to the organization. A similar result may be occasioned by unusually high initiation fees. Such provisions, although they cannot be regarded as typical or usual, have unquestionably affected manpower supplies in many labor markets. Any arrangement designed to provide union security must inevitably offer an opportunity for some degree of union control over jobs. In

[1] See the *Proceedings* of AFL and CIO conventions; see also Charles E. Wilson, "Letter to Honorable Andrew Jacobs," Schenectady, N.Y., General Electric Company, April, 1949.

effect, demands for labor are modified by adding to the specified requirements for job holders.

2.13 *Efforts to increase product demands.* Unions have frequently undertaken campaigns to "sell" the product upon which members are employed. They seek to increase consumption and demand for the product and thus to provide more and better jobs. Their activity in such campaigns may be specified in negotiations with an employer or may be an informal result of such negotiations.

2.14 *Wage and hour policies.* Union policies on wages and hours influence allocations of manpower in individual markets through two principal relationships, including (1) their tendency to make jobs more attractive, and (2) their effect on unit labor costs. In addition, union practices of enforcing work-spreading by reducing hours (noted in Chap. 10) may require at least temporary reallocations of manpower. The extent to which this result follows, it may be recalled, depends upon union wage policy, the elasticity of product demands, the mobility of the particular types of manpower involved, and other less important considerations.

Enhancing the attractiveness of jobs presumably increases their drawing power; it expands labor supplies available for such jobs. Effects of wage policies on labor costs are distinctly more complicated. No simple generalization can describe even the most immediate of these effects. (More roundabout influences are considered in a subsequent paragraph dealing with relationships affecting earnings, employment, and consumption.) Unions may price themselves and their members out of some markets. They may increase labor costs to a point where demands for labor are greatly reduced. In other situations, union wage policy may demand less, or the resulting influence on labor costs may be slight, or demands for manpower may be comparatively inelastic. These and other variables in individual markets make generalizations either necessarily complicated or hazardous. As will be noted in a later section, monopoly in produce markets and monopsony in labor markets may exert important modifying influences. These considerations are given detailed examination in the later discussion of collective bargaining and wages and income.

2.15 *Conflict tactics.* Striking, picketing, and boycotting are obvious attempts to influence manpower allocations. They achieve varying degrees of success. Those who have followed the work histories of strikers, however, will recognize the fact that strikes unquestionably influence the placement of manpower. Many strikers remain idle during a strike; many others seek and secure other jobs. Much depends upon the stage of the business cycle as reflected in numerous labor markets. In most long strikes, many of the striking employees who

accept alternative employment do not return when the strike is ended. Strikes also prevent potential new employees from accepting employment. Picketing and boycotting exert a similar influence.

2.16 *Political activities.* Political activities of unions, especially those that result in legislation, may influence manpower allocation. Minimum wage laws, frequently advocated by unions, may exert an effect comparable to wage adjustments secured through negotiation. They tend to supplement the practices of unions. (It is notable that unions have generally advocated such regulation for women and children, rather than for their members.) They may tend to increase or decrease demands for manpower and employment in various individual markets, at the same time modifying supplies of manpower available to employers. Licensing laws may prevent many who would like to enter various occupations, perhaps on only a temporary basis, from doing so. Compulsory school attendance laws remove a number of younger persons from the labor force.

Similar but somewhat less obvious effects on allocation may follow from union political activity designed to secure administration that is favorable to union objectives. Friendly administration of public employment offices will keep in mind existing union-shop and preferential shop arrangements. It will not refer applicants to an employer whose employees are on strike. Union influence on the administration of other laws, including workmen's compensation, unemployment compensation, immigration regulation, and others may, in effect, bolster the influence of union policies and practices.

2.17 *Fraternal and social activities.* In so far as the provision of union benefits and related services is attractive to members, these functions may encourage unionists to remain in present occupations when they would not otherwise do so. There is some indication that this influence has operated to retain employees in railroading, for example. Health programs may keep men on the job who would otherwise be forced to leave employment. Social, recreational, and related activities may exert an influence comparable to benefit provisions.

2.18 *Educational and research programs.* The most obvious manner in which educational activities of unions influence manpower allocation is probably through their control of apprenticeship. In that connection, their influence is less direct and more significant in terms of future allocations. Enforced ratios of apprentices to journeymen, to mention one of the most common provisions, may have positive effects in restricting supplies of future tradesmen.

Research programs of unions are supplemental to all their other activities. Such programs provide much of the information on which the various practices described in preceding paragraphs are based. They

gather information on employment opportunities, wage rates, differentials, and current developments with respect to all phases of collective bargaining.

2.19 *Generalized effects of union practices.* On balance, about all that can be said about the over-all immediate effects of union practices on manpower allocation is that such practices unquestionably affect allocation and exert a wide range of influences. They affect both demands for labor and supplies of manpower in individual labor markets. In periods of less than full employment, they may at least temporarily create additional jobs and added employment. Under conditions of full employment, the same action may create definite pressures toward inflation.

In so far as these practices expand employment, this condition (together with higher wages) might result in larger shares of income for wage earners with consequent increases in demands for products and for manpower. This effect is apparently rather narrowly limited, however, for the distributive shares do not appear to change greatly, so far as proportions of national income are concerned.

2.2 *Effects of Employer Practices.* Many employer tactics in collective bargaining are almost entirely limited to attempts to restrict the influence of union programs. Some practices, however, particularly those developed by associations of employers, deserve special mention. Such groups have sometimes combined to oppose union organizational activities, thus creating conflict that makes employment less attractive. They have carried on active campaigns for "management security," freedom from union restraints, and the untrammeled exercise of management prerogatives, with similar results.

More recently, individual employers and associations have sometimes combined with unions to encourage expanded demands for products. They have often made the union scale of wages a maximum as well as a minimum, thus limiting levels of wage rates for labor. They have maintained lockouts having effects on demands for labor comparable to those of strikes. They also have engaged in political activity, seeking to "get the government on their side" and to further the passage of legislation favorable to their interests. They have cultivated public officials to assure a friendly administration of existing legislation.

No summary statement as to the over-all effects of their activities is appropriate. Possibly, from the aggregative or "whole economy" viewpoint, their efforts may have tended to reduce the share of income accruing to labor and thus to limit "over-all" demand. The reality of this result is highly questionable, in part because the extent of their influence is not readily measurable and in part because of the tenuous relationship between wage rates and earnings and economy-wide demands for labor.

2.3 *Governmental Intervention.* Governmental policies and the intervention of governmental agencies in collective bargaining also presumably influence the allocation of manpower. In large measure, public policy makes itself felt through legislation or administration favoring one or the other of the parties. Unions, for example, may secure legislation requiring employers to bargain with them or outlawing unfair labor practices on the part of employers. Employers, on the other hand, may seek legislation permitting the use of injunctions in labor disputes or prohibiting exactions in payment for work not performed.

Government also exerts an influence by defining bargaining units, by certifying bargaining agents, and through intervention to enforce other "rules of the game." Definition of a bargaining unit in a manner to include craftsmen with unskilled or semiskilled employees, for example, may make skilled positions less attractive and may thus impose a significant modification on demands for manpower. If such action results in lowered wage scales for skilled craftsmen, this effect may be thus reinforced. Selection of a particular union for certification may have similar effects. Other legislation, generally that advanced by unions or managements, may further limit or channel participation in various labor markets. Thus, for example, women and children may be excluded. Hours of employment may be limited for designated types of employees. Government may forbid the importation of strikebreakers, scabs, or other substitutes for employees who are on strike. Governmental agencies may refuse to refer candidates for employment to positions in firms in which a labor dispute—either a strike or a lockout—is in progress. They may limit the activities of pickets and restrain boycotts and jurisdictional disputes. They may thus facilitate or interfere with the organizational activities of both unions and employers in ways that can readily affect the allocation of manpower.

Other governmental policies, not directly related to collective bargaining, may exert an important influence on the outcome of the bargaining process. Governmental fiscal policy may be particularly significant in this respect. If taxation is employed to redistribute income, that procedure may tend to hold employers' bids for manpower at lower levels than would be the case in the absence of excess profits or income taxes. On the other hand, in some cases such taxes may cause managements to be less resistant to wage demands, on the theory that a portion of any increase in wages will come out of taxes. Taxes may be designed, also, to stimulate consumption rather than investment, in a program that seeks thereby to create additional and immediate demands for manpower. Other governmental action designed to secure or maintain "full employment" may develop demands for labor that supplement and aid union campaigns and negotiations.

Consideration of these possible influences of governmental action raises question as to whether government actually represents the interests of the mass of citizens and consumers at the bargaining table. From this recital, it may appear rather that government generally intervenes on a partisan basis to aid one or the other of the principals. Some observers have argued, indeed, that the employer is actually the most effective representative of the public, in that employer interests in bargaining tend to bring the consumer more for his expenditures. In answer to this contention, however, it may be said that governmental intervention is at least presumed to be based on stated social objectives, some of which ally government with one of the parties, while others force government into the camp of the other party.

2.4 *Effects on Allocation of Other Resources.* Collective bargaining may influence the allocation of resources other than manpower either (1) by interfering with or facilitating the combination of manpower with these other resources, or (2) by encouraging or discouraging the substitution of other resources for manpower. Other resources are used in conjunction with manpower in the usual production processes, so that changed allocations of human resources may create or hinder such established combinations. On the other hand, various resources may be substituted for each other. Hence, if manpower resources are limited or restricted in supply, or high-priced, other resources may be employed in place of these human resources. These other factors in production are available under varying conditions. Among the most important of these circumstances are the various elasticities of demand for each of them. Resulting cross elasticities are obviously significant in any attempt to appraise the probabilities of substitution in particular markets.[1]

Because of these interrelationships, collective-bargaining practices have significance not alone for the allocation of human resources but of all the other factors with which they may be combined. While this is not a proper setting for more detailed consideration of these relationships, it must be apparent that collective bargaining may occasion extensive changes in the economies of localities and regions through its influence on allocations of various resources. If, to take a simple example, the action of employers and unions tends to encourage metalworking in competition with woodworking or to cause a shift from typesetting to photographic processes in printing, such changes may be felt in the economies of many areas and localities.

Influences other than those that operate purely through pricing and labor costs may also be significant. Refusal to work with or on specified products or campaigns to encourage public use of others may have similar

[1] For a discussion of cross elasticities, see George Stigler, *The Theory of Price*, New York, The Macmillan Company, 1946, pp. 69–76.

results. Encouragement of public construction of buildings and highways, for example, may have notable effects on manpower allocation. Political influence may curtail imports of various products, thus encouraging domestic production to meet these demands.

3.0 Collective Bargaining and Levels of Utilization

Collective bargaining may influence the utilization as well as the allocation of manpower in various labor markets. Practices followed by unions and managements in each of the major phases of organization, negotiation, and contract administration, as well as in their political and social programs, may readily affect the efficiency with which manpower and other resources are applied.

As explained in the preceding section, major attention is here directed to union practice. Reasons for this procedure have been noted. They reflect the fact that unions have taken the initiative in collective bargaining. In this section, however, management action is discussed under the same general headings as that of unions, so that no separate paragraphs on employer activities are included.

3.1 *Standardization and Restriction of Output.* As used to describe the union practice of *standardization*, the term refers to the marketing of something in the nature of a uniform unit of service. Unions seek thereby to avoid a wide range of rates paid to union members employed on the same job. In order to justify a standard rate of wage payment, unions must be reasonably sure that services to be delivered by each employee will meet minimum specifications as to quality and quantity of output. Unions counter employer arguments for differential wage rates based on individual differences in output with the assertion that all union members meet these minimum standards (or sometimes that the average of such members justifies the rate).

It is but a step from such standardization for purposes of negotiation to the establishment of limits or "bogeys" on the job. Such restriction of output may readily prevent many employees at least temporarily from producing as much as they otherwise would. Such underutilization of manpower as results may also occasion an underutilization of physical production facilities and other resources. Machines and raw materials may be affected by such restrictions.

3.2 *Jurisdictions.* Several types of jurisdictions may be enforced in collective bargaining with consequent effects on the allocation and utilization of manpower. Geographic jurisdictions may result in part-time employment for wage earners located in an area where there is a limited volume of work, even though demands for the same services in other markets are unfilled. In other situations, the same type of jurisdiction may result in an overutilization of manpower, in the sense that it is

employed at unusually long hours. Either of these conditions may affect the utilization of other resources. Long hours, for example, may permit more efficient use of machines and equipment. On the other hand, long hours may prevent such repairs and other attention as are necessary to long-term effective service of these facilities. Unemployment may occasion obvious waste of material as well as human resources.

Craft jurisdictions may encourage high-level utilization if they result in fuller development and application of skills. On the other hand, if they cause extensive delays and interruptions in production or result in waste because of too detailed division of labor, an influence toward underutilization is indicated.

3.3 *Seniority.* Seniority practices with respect to promotions, transfers, and layoffs may operate either to improve or to limit efficient utilization of manpower. To the extent that seniority improves the quality of manpower promoted or retained on the payroll, it may be credited with a contribution to efficient utilization of both manpower and other resources. In so far, on the other hand, as seniority results in the promotion and retention of less efficient employees, it tends to reduce levels of utilization. In which of these directions is the influence of seniority stronger? Much energy has been expended in arguing this issue. Many representatives of management insist that seniority is not a proper substitute for or measure of ability and that dependence upon seniority relegates ability to a minor role. Employment in which seniority is strongly emphasized—as on the railroads—provides some evidence that incentives for outstanding performance are reduced.[1] In an effort to overcome these effects of seniority, many current agreements specify that promotion shall be based on both ability and seniority. They may be interpreted to mean that seniority is decisive only when ability is equal. In some types of work, seniority—although only a crude measure of ability—may be at least as accurate as managerial judgment. Frequently, such judgment involves a large element of favoritism. On balance, therefore, it may be concluded that when seniority may be fairly regarded as equal to or better than other available measures of desirable qualities, it cannot be charged with a negative effect on utilization. When, however, there are more reliable measures, seniority practices may result in inefficient use of manpower and corresponding waste of this and other resources.

Some underutilization is almost certainly occasioned by the tendency of seniority to "freeze" manpower in an individual industry or locality. Employees who are not working to their capacity may "stick around"

[1] See, in this connection, Harry Henig, *The Brotherhood of Railway Clerks*, New York, Columbia University Press, 1937, pp. 135*ff.*; also Dan H. Mater, "A Statistical Study of the Effect of Seniority upon Employee Efficiency," *Journal of Business of the University of Chicago*, Vol. 14, No. 2, April, 1941, pp. 169–204.

because they feel somewhat more secure and assume that if they wait long enough—regardless of their performance—they will be advanced to a better-paying job.

3.4 *Wage and Hour Practices.* Wage and hour and other practices that tend to affect unit labor costs directly may be presumed to influence utilization principally through their impact on employment. Under some market conditions (to be considered in greater detail in Section 5 of this chapter) they may occasion unemployment. Similarly, over a longer period, they may stimulate technological changes and extensive reallocations of manpower. In the period of transition, underutilization of manpower and other resources is likely.

As one means of restricting tendencies toward the release of employees, negotiations have sometimes provided for a dismissal wage to be paid by employers to employees who are permanently separated from the payroll. While the device may have much to commend it—in part because it tends to give the employee added mobility and thus aid him to find another job and in part because dismissal compensation helps to support the employee and his family until he finds employment—it also exerts an influence toward freezing employees in positions in which they are underutilized. It may tend, also, to increase labor costs.[1]

Union efforts to spread employment by reducing hours, if successful, presumably result in the utilization of different manpower and an indeterminate over-all effect on utilization. If those who secure jobs as a result of work-spreading were unemployed, certainly their utilization must be regarded as having been improved. In so far, however, as they represent persons less well adapted to the jobs than those whose hours were reduced, the level of utilization of employees in each such firm is presumably reduced. Hence, if work-spreading gives employment only to those who merely change jobs, transferring to the firms whose work is more widely allocated, utilization may be presumed to have declined.

As has been noted in Chap. 10, unions have found demands for reduced daily and weekly hours popular with their members for more than a hundred years. They continue to press for shorter hours, although some of the pressure is designed primarily to increase earnings by providing more employment at premium rates. What is the effect of this hour-reduction movement on utilization?

One immediate answer follows the analysis of output per hour described in Chap. 10. If present hours are ideal (from the standpoint of output per hour) any reduction must mean less efficient utilization. If hours

[1] For more details on these provisions, see Everett D. Hawkins, *Dismissal Compensation,* Princeton, N.J., Princeton University Industrial Relations Section and Princeton University Press, 1940. Some plans have been instituted, it may be noted, in the absence of collective bargaining.

are already below this maximum, further reduction will presumably increase this inefficiency. If, however, present hours are longer than would be dictated by measures of comparative hourly output, then enforced reductions may actually improve utilization.

In practice, of course, hours of employment are generally established on the basis of a plant as a whole or perhaps a whole business community (as in the case of retail stores). Little account is taken of variations in optimum hours from one occupation to another. In practice, also, hours tend to become fixed by custom. They are probably not as sensitive to pressures from individual, unorganized employees as are wages, although evidence indicates that hours may, if they are unusually long, deter many employees from seeking or retaining jobs in a firm.

As productivity and real wages rise, employees seek to secure a part of their increased value in the form of greater leisure. Rising productivity, in other words, creates a continuing pressure for shorter hours. If hours are not reduced, under these circumstances, output per hour may suffer. That is another way of saying that optimum hours change with the passage of time and changing attitudes toward leisure. In other words, Saturday morning work or the eighth hour of the day may become inefficient hours—not because employees have become weaker or the task more rigorous—but because attitudes toward these hours have changed.

Under such circumstances, union demands for shorter hours may, if they are successful, actually improve utilization. On the other hand, if demands for shorter hours result in a rapid reduction, a contraction more rapid than changing attitudes toward the "proper" or desirable work period, then underutilization will be occasioned.

3.5 *Union Participation in Management.* Collective bargaining tends to involve unions in some functions traditionally regarded as part of the job of management. Some of these functions directly affect manpower utilization. Unions may, for example, aid in recruiting, in selection, in training, and in the determination of working conditions and rates of wages. Unions participate in these functions in varying degree.

If the joint action of the parties tends to recruit and select employees whose interests and abilities are better suited to the jobs to be performed, that fact should improve utilization. If joint action achieves more efficient hours of employment, or if employees react more favorably to conditions of work thus established, similar results are indicated. In some cases, joint action has unquestionably improved the quality of management. In others, although the evidence may be somewhat less clear, it has probably made management less efficient. On the whole, pressure by some unions for an increasing share of responsibility has provided competition for established managements and may have encour-

aged them to improved their practices. Professor Slichter has pointed to the problem, however, when joint action becomes too involved. He says, "Trouble arises if policies are formulated (through collective bargaining) in excessive detail so that managements are deprived of reasonable opportunity to exercise their skill and judgment."[1]

3.6 *Control of Output.* Reference to the significance of restriction of output has been suggested in an earlier paragraph. When managements and unions agree to practices involving the hiring of "stand-by" employees (who are retained and paid although they do no work) or to those in which more employees are hired than are needed, or to other "featherbedding" devices, resulting underutilization is evident.[2] In some cases, these activities have also sought to limit or prevent technological improvements. If successful, they thereby maintain a long-term process of underutilization.[3]

3.7 *Health and Counseling Programs.* Collective bargaining has frequently provided extensive programs designed to improve and maintain the health of employees and to assist them in making adjustments to working and living conditions. In so far as they have been effective, these programs tend to improve utilization. Counseling programs in some cases provide vocational guidance which may advance both allocation and utilization. If employees follow the advice of vocational counselors, they may secure employment that permits fuller application of their abilities and appeals to their interests as well.

3.8 *Training.* Most important among the training activities generally associated with collective bargaining are those involved in apprenticeship programs. If programs are carefully planned and administered efficiently in terms of training objectives and the capacities of trainees, they may make a major contribution to improved utilization. They should provide an efficient means of imparting trade knowledge and skill. If, on the other hand, apprenticeship control is used primarily as a means of limiting entrance to various trades or if its training activities are more time-consuming than alternative means of preparing employees for work in the crafts, wastes of manpower may be occasioned.

[1] In "Some Basic Issues Raised by Trade Unions," *Proceedings of the American Philosophical Society*, Vol. 92, No. 3, July, 1948, p. 203.

[2] See, in this connection, C. W. Randle, "Restrictive Practices of Unionism," *Southern Economic Journal*, Vol. 15, October, 1948, pp. 171–183; "Restrictive Union Practices of the American Federation of Musicians," Hearings before the Committee on Education and Labor, House of Representatives, 80th Cong., 1948, Vol. 1; Merlyn S. Pitzele, "The Cost of Labor's Featherbeds," *American Magazine*, March, 1946, pp. 48*ff*.; "Lost Featherbed," *Business Week*, No. 989, Aug. 14, 1948, p. 92; Clyde E. Dankert, *Contemporary Unionism in the United States*, New York, Prentice-Hall, Inc., 1948, pp. 383–385.

[3] See Harry Ober, "Trade Union Policy and Technological Change," *Report* L-8, WPA National Research Project, Philadelphia, 1940.

3.9 *Over-all Effects on Utilization.* Preceding paragraphs have sought to point to the most obvious practices of collective bargaining that have implications for the efficient utilization of manpower and other resources. In this, as in other sections, little generalization as to the over-all effects of the bargaining process is appropriate. Several of the practices noted may improve utilization; others tend almost certainly to make it less efficient. Within individual markets, conclusions as to the balancing of these influences may be possible. Detailed studies can make valuable contributions to understanding.

Employer and union actions have been considered together in this section. Little reference has been made to the action of governmental agencies. It should not be assumed, however, that they are of little consequence. Thus, for example, use of injunctions to prevent or stop strikes and lockouts or actions of conciliation services and fact-finding boards may improve utilization by reducing work stoppages. On the other hand, governmental action in refusing to refer applicants to "struck" plants and in preventing the importation of strikebreakers may operate in the opposite direction. Local policies of police departments with respect to strikes, lockouts, picketing, and boycotts are relevant in the same way. Government has long wielded a strong influence in apprenticeship programs. In these and many other less notable activities, agencies of government may influence the utilization of manpower and, in turn, of other resources.

4.0 Effects on Conservation of Resources

Many of the practices developed or encouraged by collective bargaining have implications for the conservation of manpower, as well as for its allocation and efficient utilization. Conservation may be defined, of course, to include both economical allocation and efficient utilization. Inefficient allocation or utilization, in this sense, is also a failure to conserve the resource. Collective-bargaining practices that are particularly significant in effects on allocation and utilization have been considered in preceding sections, but they should not be ignored in appraising relationships between collective bargaining and the conservation of manpower and other resources.

In addition, the meaning of conservation carries with it the objective of making the resource last as long as possible, keeping it employable and productive over a maximum time period, and generally reducing long-term waste. In that sense, health and welfare programs developed under collective bargaining have particular significance. Health centers and programs, providing medical, dental, and hospital services, developed and financed through collective bargaining, may be assumed to have contributed to manpower conservation. Less obvious, but having possible

implications of the same nature, are the hour reductions frequently negotiated. They may reduce fatigue, encourage a wise use of leisure, and thus aid in maintaining health and productivity. Unionists frequently argue that restrictions on output—bogeys, quotas—have a similar objective. They insist that many employees will work at an excessive rate, disregarding effects on their health, in the absence of such rules. They contend also that if younger men are allowed to work at peak capacity, their superior physical output may result in discrimination against older, less productive employees, with resulting wastes of manpower.

Other practices developed and enforced through collective bargaining may tend to conserve manpower by preventing discrimination in employment—by insisting on equality of wage opportunity for all wage earners, regardless of age, sex, race, nationality, or belief. Bargaining procedures tend—through the process of standardization already mentioned—to prevent selection programs that would eliminate all but the most efficient producers. In so doing, they may prevent waste by reducing unemployment in a market at the same time that they contribute to waste—at least over the longer run—by maintaining the use of inefficient manpower in the market. For this and other reasons, the combined effect of usual collective-bargaining practices on conservation of manpower must be viewed with some question.

4.1 *Conservation of Nonmanpower Resources.* One of the most obvious means by which collective bargaining practices may affect the conservation of resources other than manpower is through changes in wage rates and unit labor costs. Here, again, however, the influence may be felt in several quite different ways. In the absence of such bargaining, if an employer is in a position approximating that of sole buyer of manpower services, labor may be so cheap that natural resources may be developed rapidly and with little attention to waste. Some such result has been frequently described in "backward" and undeveloped nations.

On the other hand, if collective bargaining tends to equalize the economic power of the parties and results in relatively high wage rates, other resources may be used as substitutes for manpower. These opposed results follow because manpower is both a necessary complement to and a substitute for other resources. Their cross elasticities—already mentioned—presumably determine the combination of factors to be employed in each individual labor market.

5.0 Effects on Wages, Income, and Employment

Throughout much of the discussion in earlier sections of this chapter, questions have appeared as to the effect of collective bargaining on wage rates, earnings, and employment. Although some attention has been given to these results of collective bargaining, particularly those relating

to employment, consideration of the impact of collective bargaining on wage rate changes has been largely deferred. Many of the possible relationships described in these earlier sections have results that appear to depend largely upon what collective bargaining may do to wage rates and labor costs.

Some commentators are sure that they know both short-term and long-run effects of collective bargaining on wages and income, both in individual markets and in the economy as a whole. Some labor leaders, for example, are inclined to regard the long rise of real wages in the United States as partially if not largely attributable to the influence of collective bargaining. Individual managements and unions may contrast levels of wage structures developed through bargaining with wages paid unorganized employees in similar industries and occupations. On the other hand, opponents of unionism frequently charge that any gains employees have made through collective bargaining have been taken largely from the incomes of unorganized wage earners, or that increases in wages and earnings cannot be attributed to unions but have developed largely in spite of them. They may argue that, in the long run, collective bargaining has actually reduced wages in individual industries and markets by interfering with efficient management and otherwise interposing frictions in the economy.

The literature of economics provides many illustrations of the range of these opinions. The "bargaining theory" of wages, as noted in an earlier chapter, has been frequently accepted as a realistic explanation of the levels of wage rates. There are reports on individual markets indicating that collective bargaining has raised wage rates at the expense of employment, so that total income of the group of employees was reduced.[1] Many of those who are inclined toward the Keynesian framework of economic analysis may conclude that the generalized effects of collective bargaining are most apparent in raised levels of consumption and a greater aggregate "demand" for manpower. All too frequently, these conclusions hold that collective bargaining has well-defined, readily predictable relationships to wages, employment, and income.

Many examples of this sort of conclusion might be presented. For example, the fact that long-term changes in real wages in the nation show no more rapid rates of increase since labor organization has become powerful than was the case in earlier periods is cited to prove that collective bargaining has exerted little or no influence on wages and income. A major weakness in all such arguments is the fact that they seldom

[1] See, for example, the experience of tapestry weavers in Philadelphia, in which employment fell from 1,800 to 800, and the similar cases cited by Sumner H. Slichter in his "The Changing Character of American Industrial Relations," *American Economic Review*, Vol. 29, No. 1, March, 1939, footnote p. 127.

isolate and identify the several factors or conditions that are presumably responsible for the results they describe. For example, comparisons of rates in union and nonunion groups of wage earners or in situations in which wages have been collectively bargained and those in which there is no bargaining have frequently ignored trends of wages in the industry or differences in the availability of resources, or cyclical fluctuations, or other circumstances that offer at least as plausible explanations.

This situation is not unlike that in which the effects of various laws—labor relations acts, minimum wage laws, and others—are frequently appraised. Some evidence suggests that these laws—like collective bargaining—increase wage rates in particular labor markets. In some cases, these results appear to be accompanied by reduced employment; other situations appear to contradict this conclusion. Moreover, any attempt to translate such bits of information into an economy-wide generalization must be regarded with the greatest skepticism, for the hazards of generalizing from a specific market at a particular time and place to the economy as a whole—as has been repeatedly stressed—are obviously great. Numerous studies of individual markets should provide a basis for justifiable conclusions as to what happens in such markets under given sets of circumstances. For understanding composites of such markets, for aggregative conclusions, a different type of analysis—in which these combined markets are studied in combination—is in order.

In the study of individual markets, an important function should be assigned to what may be described as an analytical and theoretical approach, which may be contrasted with the historic, observational, empirical point of view implied in earlier sections of this chapter. Such an emphasis upon the theory of behavior in labor markets can go far in providing a tentative rationale to explain observed behavior. It can develop and state hypotheses to be checked in empirical studies.

Most of the applications of theory to individual labor markets have relied heavily on the marginal productivity theory of wages. The assumptions in such explanation of labor marketing processes have been described in Chap. 6. Few actual labor markets even approximate the most important of these assumptions. Nevertheless and in spite of these obvious limitations, the theory, together with such modifications as are necessary to meet conditions of imperfect competition, provides numerous valuable suggestions as to the relationships of wages and employment.

Informed students of economics will, of course, recognize existing limitations of theory and avoid any statement of absolutes with respect to the relationships they describe. In the absence of caution, conclusions may suggest results that are in sharp contrast to observable realities. Belfer and Bloom[1] have indicated, for example, that although economists have

[1] Nathan Belfer and Gordon F. Bloom, "Unionism and the Marginal Productivity

repeatedly proved that unions can't gain wage advances at the expense of profits, numerous case studies have found that they appear to have done so. The framework of marginal analysis must, in its application to modern labor markets, be regarded as providing only first approximations of conclusions. By the numerous exceptions to conditions assumed in the marginal approach an important margin of uncertainty is created and must be clearly recognized.

5.1 *Labor Marketing Models.* Because an understanding of these approximations can contribute to a fuller recognition of what takes place in labor marketing processes, several of them may well be mentioned in this discussion of some of the economic effects of collective bargaining. Such approximations, as noted above, *suggest* what may happen in terms of wages, income, employment, and the allocation and utilization of resources. They may thus provide valuable hypotheses to be tested in detailed studies. Such analysis helps to identify the major variables, whose significance may then become the object of further investigation.

Relationships described by these approximations may be most clearly understood by reference to a number of "pattern" or "model" situations. Such models describe what appear to be the most significant variables and suggest basic relationships. In the paragraphs that follow, four models, believed to represent an essential preliminary classification of individual markets, are described. Many variations in these patterns would be required for a comprehensive discussion of relationships among wages, income, and employment.

5.11 *First model: competitive product market; employer competitive in the labor market.* This is the situation that may be regarded as the classic model. Its distinctive characteristic is the flat product-demand curve, representing a demand for products that is unaffected by changes in the output from the single employer involved. Effects of jointly determined wage and hour or other policies that increase unit labor costs have already been described in the chapter on wage theory. The individual employer has a negatively inclined demand schedule, so far as manpower is concerned, based on the marginal product of various increments of labor. At higher wage rates, his employment is reduced, in accordance with this demand schedule. If, therefore, collective bargaining increases wage rates without changing any other conditions in the model, employment is thereby reduced. The level of utilization of those who retain their jobs is presumably increased.

Question may, of course, be raised as to whether collective bargaining newly introduced into such a market is not likely to change many other conditions in addition to wage rates. Several possibilities of improving

Theory," in R. A. Lester and J. Shister, *Insights into Labor Issues*, New York, The Macmillan Company, 1948, Chap. 8.

the quality of manpower and increasing its output—with consequent results in lowered unit labor costs—have been suggested in earlier sections. On the other hand, if bargaining introduces practices that involve restriction of output, an opposite effect is indicated. Similarly, collective bargaining may effect demands for labor, as has been noted, with probable impacts on employment. All of these considerations mean, however, that the assumption that all other conditions remain the same is violated

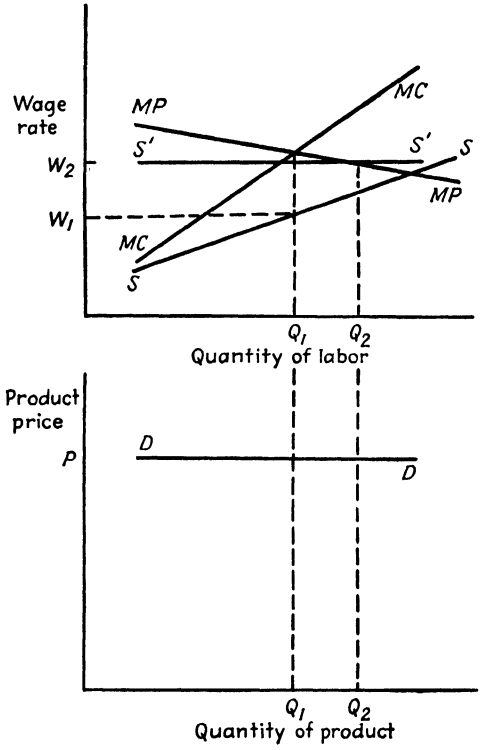


FIG. 20.1. Model 2: competitive product market; employer monopsonist in the labor market.

and that relationships described by the model cannot be regarded as satisfactory first approximations for that reason.

5.12 *Second model: competitive product market; employer monopsonist in the labor market.* How is this situation changed when the employer in the market is the sole purchaser of the services under consideration? What modifications does collective bargaining introduce in such a market? First, it may be noted that employment tends to be somewhat less than is the case in a competitive market. The employer—who is assumed to be motivated only by a desire to maximize profits—follows the practice illustrated in Fig. 20.1. As a monopsonist, he restricts employment to

Q_1, the point at which the marginal product and his marginal costs are equal, because his returns are maximized at that point. His marginal costs reflect the fact that each additional increment of manpower not only costs more in itself—in the absence of a standard rate—but adds to the costs of all units available at lower rates. If labor is unorganized and available in the supply indicated by S–S, the wage thus established will tend to approximate the measure W_1, a rate considerably less than the marginal product of this quantity of labor. This is precisely the advantage of the monopsonistic employer.

When, however, manpower in this market is unionized, its supply schedule will presumably be changed. Wages are likely to be set at the standard rate, so that all quantities become available at the same price. If the standard rate is above W_1, as shown in the figure S'–S', employment and wage rates will approximate the point at which the new supply curve (which now becomes the marginal-cost curve) intersects the marginal-product curve. The quantity of employment will approximate Q_2, while the wage rate will be at W_2, both greater than was the case before collective bargaining. (Note that the horizontal supply curve dictated by collective agreement becomes a marginal-cost curve as well.)

As indicated in the lower portion of the figure, these changes will affect the quantity of product, resulting in somewhat greater output. They will presumably have no effect on product price, since the individual producer in a competitive product market is faced with a horizontal product-demand curve. It is assumed that he uses a distinctive type of manpower or operates in a local market in which employees have little mobility.

Note should be made of the fact that such a model describes first approximations of changes introduced by the fact of collective bargaining. It refers to a single event and does not suggest what changes will be introduced subsequently when collective bargaining may, for example, set a higher rate. No conclusions on that point are appropriate because the later period may be characterized by a different set of circumstances throughout the market.

5.13 *Third model: monopolistic product market; employer competitive in the labor market.* This major distinction between a competitive product market and one that is monopolistic, so far as wage rates and employment are concerned, is the fact that the monopolistic employer faces a negatively inclined product-demand curve, so that the marginal value product of manpower declines more rapidly than would be true in a competitive product market. Since the labor market is here assumed to be competitive to the employer, he may be expected to employ manpower to a point approximating the intersection of marginal-value-product and labor-supply curves. Relationships in such a labor market are outlined in

Fig. 20.2. In that figure, S–S is the assumed labor-supply curve in the market before collective bargaining policy dictates a higher standard wage rate or scale. Q_1 is the level of employment, and W_1 is the wage thus established. (It may be recalled in passing that the idea of a range of rates available to the employer is inherent in such a statement of first approximations.) The upper portion of the figure indicates what tends

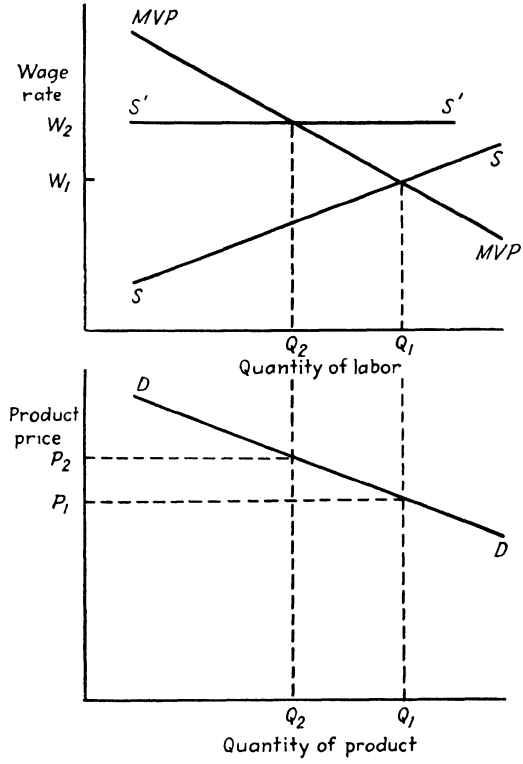


Fig. 20.2. Model 3: monopolistic product market; employer competitive in the labor market.

to happen to employment and wage rates when collective bargaining imposes the "scale," which is represented by S'–S'. Employment is thereby reduced as wage rates are increased.

Effects of these changes on the product market are suggested in the lower portion of the figure. D–D is the product-demand curve. Q_1 represents the quantity that would be produced without the restriction of employment resulting from collective bargaining. Q_2 is the lesser product available when employment is reduced through the bargaining process. P_1 and P_2 indicate that product price advances as output declines.

In the situation reflected in this model, consumers appear likely to feel the impact of two monopoly pricing policies, that of the employer in the product market and that of combined employer-union collaboration in the labor market. Employment tends to decline as wage rates and product prices rise. Utilization of such manpower as is employed is

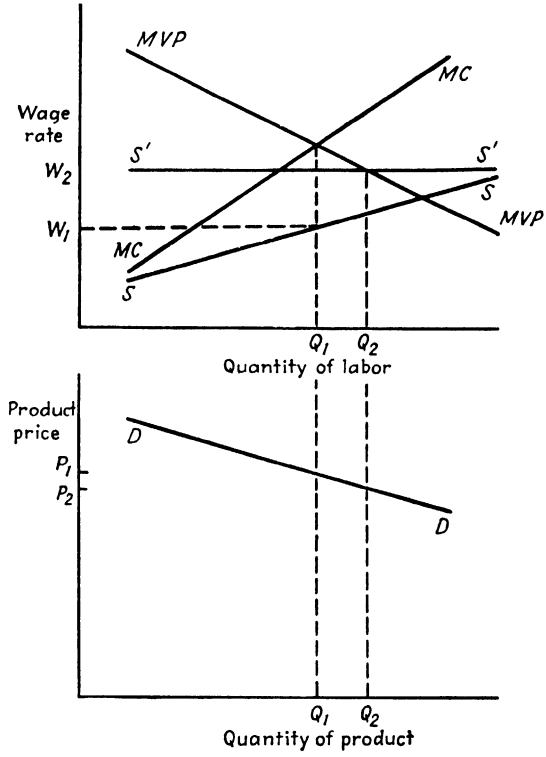


FIG. 20.3. Model 4: monopolistic product market; employer monopsonist in the labor market.

presumably at a higher level than would have characterized that which is excluded by the bargaining process.

In this, as in other models, the statement of first approximations assumes no changes other than those described. Other conditions remain the same. Possible effects of collective bargaining on demands for labor, for example, are not considered, nor are possible changes in the productivity of more carefully selected manpower.

5.14 *Fourth model: monopolistic product market; employer monopsonist in the labor market.* If the employer is not only a monopolist, so far as his product is concerned, but is also the sole buyer of labor in the individual market under consideration, how are relationships changed?

Essential characteristics of such a situation have been pictured in Fig. 20.3, which presents a fourth model. Here, the curve of marginal-value product declines sharply, as in the third model. Collective bargaining dictates a higher wage rate and at the same time expands employment, as in model 2. A distinctive difference between models 2 and 4, however, is the fact that product price tends to fall in model 4, with possible implications for added wage-earner and consumer gains in an aggregate or economy-wide analysis.

These results will not follow, of course, if wage rates are pushed above the level of the intersection of original marginal-cost and marginal-value-product curves. Otherwise, however, collectively bargained wage rates may be increased over those prevailing before such bargaining and employment may be expanded at the same time. This result may be possible only within a fairly narrow range. It may be important to recall, also, that the model refers only to a situation in which collective bargaining supplants earlier procedures in which the employer dealt with employees on an individual basis. It indicates nothing conclusive as to changes that may be introduced by subsequent bargaining between the employer and the union.

5.2 *Effects on Manpower Mobility.* One question that is suggested by repeated references to shifts in employment concerns the effects of collective bargaining on the mobility of manpower. Such a question is significant, of course, over a period of time, rather than in the static situation pictured in preceding models. A similar question arises from references to changing demands for labor. Does collective bargaining increase or decrease such mobility? Does it tend to make manpower more or less responsive to changes in demands in particular labor markets? The most frequent answers to these questions emphasize effects of union rather than employer practices and describe (1) the action of unions in limiting mobility through restricting supplies of labor and modifying demands for labor, and (2) the opposite tendency of unions to increase mobility by supplying more adequate information on employment opportunities and by standardizing the services provided by union members. In so far as collective bargaining facilitates various degrees of closed-shop arrangements and restrictions on union membership, it unquestionably imposes barriers or frictions in labor markets. Jurisdictional restrictions and high initiation fees or controls over entrance to apprenticeship are illustrative of these relationships.

On the other hand, there are ample illustrations of the manner in which unions may increase geographic mobility. Printers' unions, for example, by publishing notices of job opportunities in various sections of the country, tend to create a nation-wide composite labor market for their crafts. Union training programs and practices of standardization may

increase geographic mobility. A "card" in one local may prove a valuable means of entrance to others in different labor markets. Collective bargaining agreements that involve a number of employers may encourage shifts from one to another of them in the same or different localities. Union or jointly provided benefit systems, since many of them are not contingent upon continued employment with a single employer, may free employees from hesitation to move about, in contrast to the effects of benefits provided solely by a single employer on a unilateral basis.

In a somewhat less obvious manner, mobility may be reduced by limitations on an employer's right to hire and fire and to shift employees from one job to another. Union rules may preclude many discharges and transfers and make all such readjustments difficult and complicated.

In so far, therefore, as mobility is an important element in conditioning the effects of collective bargaining, consideration must be directed to specific conditions prevailing in individual labor markets or types of markets. Perhaps, with additional studies of these individual markets, a basis for sound classification and generalization may be developed.[1]

5.3 *Short-run and Long-run Effects.* A related question of obvious importance that cannot be avoided in any attempt to describe economic effects of collective bargaining is concerned with the timing of relationships. Short-run effects on wages, income, and employment may be quite different from those that develop over a longer period. The definition and distinction of long run and short run is in itself a matter for question. One provocative suggestion on this point has been made by Norris.[2] She proposes that the time necessary to modify habits be taken as the dividing line between short run and long run. A more common proposal regards the long run as allowing time for changes in physical facilities. Whatever the criterion to be applied, it must be clear that long-term and short-term effects may be distinctly different. Hence, any conclusions as to economic implications of collective bargaining should clearly identify the time period involved.

Models described in preceding paragraphs, for example, represent distinctly short-term relationships. Their description has repeatedly stressed the requirement that other factors must remain unchanged and that they may not be interpreted to mean more than they indicate with respect to the short period they picture.

Many illustrations might be cited to indicate the importance of distinctions between short-term and long-term relationships. Thus, for

[1] For an excellent analysis of studies of mobility, see Gladys L. Palmer, "Research Planning Memorandum on Labor Mobility," *Pamphlet* 2, Social Science Research Council, Committee on Labor Market Research, April, 1947.

[2] Ruby T. Norris, "The Analysis of Demand," *Quarterly Journal of Economics*, Vol. 54, November, 1939, pp. 131–142.

example, an immediate effect of collectively bargained wages in a particular market might be a reduction of employment or an increase in wage rates, or both. Over a longer period, however, higher wage rates and labor costs may stimulate managerial efforts to reduce costs by improved planning, routing, and processing or by the addition of new physical facilities. When these changes have been made, employment may be further reduced and wage rates increased, or costs and product prices may be reduced with a consequent expansion of production and employment. Frequently, if organization results in such increased labor costs as stimulate technological changes, long-term and short-term effects on employment are directly opposed. Employment may remain at existing levels for a time, so that wage earners' incomes are increased. Subsequently, however, both employment and rates of pay may be adjusted downward. On an economy-wide basis, if wages are advanced in some markets to levels that restrict investment in the industry, the future in that market may of necessity involve less favorable combinations of manpower and other resources, with consequent reductions in output and earnings.

5.4 *Union Policy on Employment.* Most popular discussions of collective bargaining assume that the prime objective of labor organizations is higher rates of wages and that comparatively little attention is given by unions to the effects of this policy on employment. Can this assumption be accepted without qualification? Or do unions seek to balance gains accruing to their members from each of these two factors in earnings? What can be said about union policy on employment?

Evidence indicates clearly that no single policy dominates all labor organizations or dominates a single union under varying circumstances. Not all unions seek to secure highest possible rates or to assure the most employment for all their members, or to stabilize employment for those who are employed, or to maximize the product of employment and wage rates for all members or all employed members. Factors influencing policy on wages and employment frequently reflect considerations that are social or political rather than economic. They may include personal objectives of union leaders. Thus, for example, the desire of a particular union to negotiate an increase in wage rates greater than that gained by a rival organization, or to maintain a differential over the rate paid another group of wage earners, or to secure popular approval of their practices, or to increase the status and prestige of a leader, or to reduce the prestige of a rival leader—these and many other considerations may be important at a particular time and place. The impact of such considerations—rather than the time-worn conclusion that unions simply follow the economic practices of a monopolist—cannot be ignored. The complex wage and employment policy of modern unions has obvious

implications for the conservation of manpower resources and for impacts of the policy on union members, employers, and all consumers.[1]

Professor Dunlop has commented on the usual conclusions that unions give little or no attention to effects of wage policies on employment, that they blindly accept a "lump of labor" theory, assuming that demands for the services of manpower have no elasticity. He says:[2]

> Economists have been too inclined to believe that trade unions are oblivious to any relationship between wage rates and employment. A few examples of the many forms in which this dependence is thrust upon a trade union may be interesting. The musicians have recognized the relationship between its rules on number of members of a band and the union wage scale; in some instances an employer has agreed on the amount of money he would expend for musicians during a certain time. The photoengravers maintained a high unemployment fund. Complaints were made of inexperienced journeymen who demanded higher rates and then drew unemployment benefits from the union when their demands were refused. The dependence between rates and employment is made vivid by the depletion of the unemployment fund. The hosiery and molders unions have been forced to be concerned with the elasticity of demand for labor through the impact of nonunion competition. The growing number of employment guarantee agreements—for instance, among the machinists—provide for some form of wage rate concessions in return for more employment. The elasticity of demand for labor is recognized in terms of the specific mechanism which impinges on employment.

If these short-term union policies on employment and wages are regarded as complicated, longer run plans and objectives become almost hopelessly involved. What policy can be described with respect to the annual revision of wage rates? Is such a revision to be constantly upward? What effects of such policies are to be anticipated after the situations described in the four models have been attained?

Answers to these questions inevitably reflect the multiple goals or objectives of modern unions. In so far as they seek to advance the material living scales of their members and other wage earners, policy may dictate practices designed to improve the productivity of members. Similarly, in so far as many organizations express interest in what has been described as uplift unionism, they may tend to open their ranks, to reduce the restrictions that limit participation in individual markets. Several indications suggest that organizations may tend to place greater emphasis on political considerations, seeking increased governmental intervention and more labor representation in legislative chambers.

[1] See Richard A. Lester, "Reflections on the Labor Monopoly Issue," *Journal of Political Economy*, Vol. 55, No. 6, December, 1947, pp. 513–536.

[2] John T. Dunlop, "Wage Policies of Trade Unions," *American Economic Review*, Vol. 32, No. 1, Part 2, Supplement, March, 1942, p. 297.

Under such circumstances, appraisal of long-run policies is obviously hazardous.

5.5 *Employer Policies.* Appraisals and forecasts of the economic impact of collective bargaining are complicated by the further fact that employer policy is by no means simple or single-minded. Serious error may be courted by assuming that employers are solely interested in holding wage rates to a minimum. On the contrary, employers frequently maintain a policy of equaling or exceeding going rates, sometimes to forestall union organization, sometimes to attract superior types of employees. Similarly, employers may have a direct interest in the volume of employment, seeking to reduce turnover, and to maintain an adequate labor force with possibilities of rapid expansion. They may regard other objectives—their reputation as socially minded citizens, community leaders, enlightened trustees of economic power, or the regard and friendship of employees—more highly than maximization of profit. Their motivations and objectives, in other words, may be many-sided and complex.

5.6 *Intermarket Relationships.* Frequent reference has been made to the dangers inherent in any tendency to generalize from individual markets to broader economies. Nevertheless, the question of aggregate effects or more specifically of intermarket relationships cannot be ignored. What are the effects of changes in an individual labor market on other labor markets? How does the influence of collective bargaining in one labor market make itself felt in other markets, many of which may have no unions or collective bargaining? As has been noted, unionists have generally insisted that whatever gains they accomplish for their members tend to necessitate similar advances for other wage earners. Opponents of unionism, on the other hand, have argued that gains secured by collective bargaining are generally paid for by other consumers, including unorganized wage earners. In recent years, many students have added a conclusion that collective bargaining may tend to advance the status of all wage earners by creating additional purchasing power in the hands of employees and thus sustaining or expanding demands for their services.

For dependable answers to such questions and arguments, carefully planned studies of the interdependence of labor markets are in order. Little evidence of the significance attaching to interrelationships among labor supplies and demands for labor in individual markets is presently available. It may reasonably be assumed, of course, that if employment is reduced in one market, that effect will be felt, sooner or later, in other markets. Degrees of labor mobility are obviously important in determining how soon and in what other markets these effects will appear. Similarly, if employment is increased in one market, that fact may be assumed to tend to reduce supplies elsewhere. Wages in other markets

may be expected to reflect, sooner or later, changes in wages in any particular market. But the timing of these processes and the identification of related markets and the appraisal of degrees in effects are largely conjectural at the present time. Only carefully qualified generalizations are justified.

5.7 *Collective Bargaining and Inflation.* Collective bargaining may evidently serve to speed or retard processes tending toward either inflation or deflation. On balance, however, it appears that the influence of collective bargaining is likely to be felt more in speeding these trends than in retarding them. The tendency to slow them derives principally from the stabilizing effects of collective-bargaining agreements. For the most part collective-bargaining agreements describe conditions under which manpower is to be available for a stated period, generally not less than one year. They thus introduce an element of certainty with respect to one important type of costs.

On the other hand, reports of changes affecting bargaining parties—increases in wage rates, for example—spread through local and national organizations by a sort of social contagion. Moreover, they are news and are widely publicized, so that all employers and employees are quickly aware of trends. As a result, "wage patterns" are almost like fads or styles. "Key bargains" set these styles. Hence, wage rate increases, as was clearly evidenced in the years immediately following World War II, may come in "rounds." Each advance becomes a pattern of accomplishment to be copied in other markets.

As Professor Arthur Ross has noted, there are other inherent characteristics of labor organization that tend to encourage inflation. He says:[1]

> Many economists believe that higher real wages should be achieved through lower prices rather than higher money rates. But lower prices do not represent any achievement on the part of the union; moreover, no individual union can have any substantial effect on the price level. If an increase in real wages brought about by a fall in the price level is to serve as an achievement for the union, it must be channelled somehow through the bargaining procedure in which the union participates. This would obviously require a larger scale consolidation of bargaining structure.

It appears that most short-term union policies tend to be inflationary. They prescribe a one-way street; wage rates must be advanced frequently and can seldom be reduced. It is worthy of note that unions have frequently sought to take a longer view and to urge price reductions in lieu

[1] In his "Trade Unions as Wage-fixing Institutions," *American Economic Review*, Vol. 37, No. 4, September, 1947, p. 588. See also K. E. Boulding, "Collective Bargaining and Fiscal Policy," a paper presented before the Industrial Relations Research Association and the American Economic Association, Dec. 29, 1949.

of wage gains. For the most part, however, these proposals have not been enthusiastically received either by union members or by employers.

On the other hand, longer term effects of union wage policies have inherent elements that may be deflationary. Higher rates of pay and earnings may increase wage-earner productivity, as may greater satisfaction with other conditions of employment. A similar result may follow from technological changes stimulated by high wage rates. If output is sufficiently increased, so that it overtakes and exceeds increases in wage rates, the result could be deflationary.

6.0 Need for Research

Whether one seeks answers in empirical evidence or in intensive theoretical analysis, the over-all economic significance of collective bargaining is not readily discovered or described. No oversimplified generalizations can provide a sound basis for understanding. Labor markets are diverse, complicated, and numerous, so that, unless their types and classes can be clearly defined, few generalizations may be appropriate. While analytical approaches applying the hypotheses of marginality are suggestive and have obvious value in hinting at first approximations, their major contributions must be to provide a framework for study and to suggest more or less promising hypotheses.

Real progress in understanding the part played by collective bargaining in labor markets hinges on the accumulation of results from research—research that defines and classifies labor markets, identifies significant variables in them, and reports on the processes that take place. Similarly, valuable studies may be directed at combinations of markets, larger economies, and at the interrelationships between labor marketing and other economic processes. On such foundations a useful and reliable understanding of the economics of collective bargaining may be developed.[1]

Difficulties that may be expected in such studies have been highlighted by Professor Lester. At the close of his report, he summarizes the import of his study for wage theory. He concludes that:[2]

> Orthodox wage theory runs in terms of economic forces bringing about a unique wage determination where demand and supply are equal. The company replies, however, clearly indicate that employers have been free to select where within a range of rates they wished to establish their scales. Prior to unionization, their location within the range was partly a matter of historical accidents and psychological desires that could not be adequately explained merely in economic terms.

[1] See *The Economics of Collective Bargaining*, Berkeley and Los Angeles, Institute of Industrial Relations, University of California, 1950.

[2] R. A. Lester, "Company Wage Policies," Princeton University Industrial Relations Section, 1948, p. 45.

Unions, with their political considerations, have tended to make purely economic explanations of wage determination even more unsatisfactory.[1]

He notes that considerations affecting employer demands for labor are—like those influencing union wage and employment policy—complicated by the inclusion of numerous noneconomic objectives. Resulting behavior cannot, for this reason, be simply explained. He concludes:[2]

Employer wage policies and practices are much more human and diverse than conventional theory postulates. Employers do not mechanistically follow a single principle or pattern. As the quotations (from employer statements) indicate, company wage policy is influenced and guided by a mixture of economic and noneconomic factors. The task of industrial relations research is to develop a more human and realistic theory of wages, based in part on an adequate understanding of employer behavior.

EXERCISES AND QUESTIONS

1. What are the principal questions to be raised in an economic appraisal of the collective bargaining procedure?
2. Why must conclusions with respect to the economic implications of collective bargaining be regarded as tentative?
3. Why are the usual principles of monopoly action of questionable application to the practices of unions in collective bargaining?
4. What variables play an important part in conditioning the influence of labor organizations and employers in labor marketing processes?
5. Show that generalization from individual labor markets to the economy as a whole is hazardous.
6. Describe the influence of collective bargaining practices on demands for and supplies of manpower and allocation of manpower resources.
7. How may governmental intervention in the collective-bargaining process affect allocation of human and other resources?
8. Discuss the contention that employers are generally effective representatives of the public interest in collective bargaining.
9. Describe the probable influence of union standardization, jurisdictional limitations, seniority practices, and restriction of output on the utilization of manpower.
10. As unions have been granted additional responsibility for what may be regarded as management functions, how have these changes affected levels of manpower utilization?
11. What practices of collective bargaining appear to have implications with respect to the conservation of manpower resources?
12. What factors appear to be of greatest significance in determining the effects of collective bargaining on levels of employment and wages?
13. Show how the presence of monopoly, duopoly, and monopsony in labor markets may influence levels of employment and wages, as well as total output and product prices.
14. Summarize conclusions with respect to effects of collective bargaining on the mobility of manpower resources.

[1] See also Sumner H. Slichter, *The Challenge of Industrial Relations: Trade Unions, Management, and the Public Interest*, Ithaca, N.Y., Cornell University, 1947; Leo Wolman, *Industry-wide Bargaining*, Irvington-on-Hudson, N.Y., The Foundation for Economic Education, 1948.

[2] Lester, *op. cit.*, p. 45.

15. Show by illustration why the short-run and long-run economic effects of collective bargaining must be sharply differentiated.

16. Answer the frequent assertion that unions seldom consider the influence of their marketing policies on levels of employment.

17. How do the multiple objectives of unions and of employers complicate the economic impact of collective bargaining?

18. Explain the significance of each of the following conditions as an influence on demands for labor in local labor markets: proportions of labor costs; union's choice of alternate goals; product-price policy; a reservation wage.

19. Describe hazards involved in generalizing with respect to the economic effects of collective bargaining in individual labor markets from over-all or aggregative influences apparent in the economy as a whole.

20. What may be said with respect to the influence of collective bargaining on the business cycle?

21. How do you appraise the impact of wage determination through free collective bargaining on inflationary pressures?

22. Outline possibilities for further research with respect to economic implications of collective bargaining.

Chapter 21

Modern Manpower Management

This chapter deals with manpower management. In a sense, and in much popular thinking, it describes procedures that are contrasted with—if not opposed to—the collective-bargaining activities of unions. Management, in much current discussion, is regarded as the opposite side of the bargaining table from unionism. In this sense, it is the representative of the employer, as the union is the employee's representative.

The usage is well established; there is little point to an attempt to discredit it or question that it is appropriate. But that is not the only sense in which the term "management" is used, and it is not the meaning of "management" in the pages of this chapter.

1.0 Meaning of Manpower Management

The chapter title refers to "manpower management." It is not "manpower managements." The distinction between the singular and plural is important. For the plural should presumably refer to all the numerous manpower management programs maintained by individual firms and government agencies—through their industrial relations departments and personnel divisions. But the singular—"management" refers to the *process* of managing manpower, the whole extensive procedure and organization by which human resources—manpower supplies—are combined with material resources to provide the goods and services and the "good life" members of modern society seek. Manpower management in this sense is an inclusive procedure by which societies seek to attain various goals that require the combination and cooperation of manpower with other resources. Management is the process or function of planning, coordinating, and directing activities for the attainment of specified purposes and objectives. Manpower management refers to this managerial function as it applies to the coordination and direction of human resources in economic activity. It reflects the fact, noted at the outset of this volume, that manpower is an essential resource and is also a distinctly limited resource in most industrialized nations.

Manpower management, moreover, is a function that must be performed in all societies, regardless of their political philosophy. It is as essential in a communist state or a "managed" economy as in one that

emphasizes free enterprise, although the specific policies and programs of manpower management may vary greatly as a reflection of political and social ideals. The application and conservation of manpower must be planned, directed, and coordinated, whatever the political philosophy of the state. Manpower must be directed and its efforts coordinated if it is to be combined with other resources to provide the goods and services desired. The need for comprehensive planning and coordination increases with the complexity and size of a society. Manpower management may be relatively simple in a primitive group; it must be highly developed in modern industrialized societies.

In primitive economic activity, manpower management may be a function of the head of the family or tribe. In modern industrialized nations, however, it requires the services of many specialized individuals and groups. It is not alone the function of those who are known as personnel administrators or industrial relations directors in industry or the public service. They are the "staff" of expert advisers to "line" management. Their responsibilities are frequently divided among numerous professional and technical assistants—safety directors, counselors, wage and salary administrators, industrial psychologists, collective-bargaining experts, and several others. Actual operating manpower management functions are performed by general managers, sales managers, production managers, other similar executives, supervisors, foremen, and their aids. In addition, in the economies of the Americas and Western Europe many manpower management functions are performed by union leaders—shop stewards, business agents, and others—who are assigned definite responsibilities in this area. This essential consideration, frequently overlooked by both exponents and critics of personnel administration and industrial relations management, is quite obvious from an analysis of the jobs of these union representatives. They have responsibilities for recruiting, for training, for maintaining discipline, and other functions that are essential to the performance of manpower management in modern industry.[1]

In some situations, committees composed of employer and union representatives perform many manpower management functions. During World War II, some 5,000 special labor-management committees were formed for this purpose. Long before that, however, a number of experiments with labor-management cooperative plans had developed "committee management" as an effective device.

1.1 *Public Policy.* Federal, state, and local governments help set the stage for manpower management; they specify and enforce many of the basic rules of the game, the public policy that defines objectives and

[1] For details, see Philip H. Kriedt and Margaret Bentson, "Jobs in Industrial Relations," *Bulletin* 8, Minneapolis, University of Minnesota Industrial Relations Center, 1947.

describes approved conduct. Such policy indicates, for example, the desire that individual managements or groups of managements shall cooperate with employees and unions of employees—that both unions and managements shall have security—but it also suggests that too great cooperation may be objectionable. Thus, if cooperation extends to the point where managements and unions combine to raise costs and prices and exercise an unregulated monopoly, such action is regarded as collusion and extortion and is disapproved.

Policy is expressed in well-established customs, in laws, and in the rulings of administrative agencies established by law. For example, much of the national policy on collective bargaining has been expressed in several Federal laws, including the Clayton Act, the Norris-LaGuardia Act, the National Labor Relations Act, the Taft-Hartley Act, and related legislation. Tangible examples of the elementary rules of the game may be seen in the prohibitions of unfair labor practices on the part of one or both parties. Administrative rules supplement such legislation. They specify what practices may be regarded as intimidation and coercion, for example, or what activities seem to be reasonable as expressions of free speech. They interpret the rules or principles described in the law. Customs and conventions play an important part, also. Thus, for example, the fact that it is customary not to try to operate a struck plant in England, or that it is usual practice to arbitrate differences in certain industries may be important elements in public policy.

1.2 *Relation to Social Goals.* Throughout preceding chapters, emphasis has been placed on the prime social goals of voluntarism and personal development through efficient allocation, utilization, and conservation of manpower. These objectives have been recognized as socially determined and generally accepted goals. How is manpower management related to them?

Manpower management is the procedure established by experience, trial and error, and research to attain these goals. It represents, at any given time, the means by which a society seeks to gain its stated ends with respect to economic activity through the use of human resources.

To attain society's established goals, manpower management must be dynamic and adaptable. It must change to meet new objectives and new situations. Some of its changes reflect the acceptance of new or modified social goals, as, for example, when a society determines that it does not wish economic activity to interfere with a minimum of formal schooling for younger citizens. In part, changes reflect no new goals but different ideas as to means that may be most effective in attaining established goals. Thus, for example, a society may have long preferred to encourage individual bargaining for this purpose. For a variety of reasons, it may conclude that collective bargaining is more likely to be effective in goal

attainment. Other changes may be suggested by the experience of other societies or by research that appears to have demonstrated more efficient procedures for utilization or conservation. Again, dissatisfaction with procedures in use may cause a demand for experimentation and change.

1.3 *Responsibility for Manpower Management.* The function of manpower management is not the sole responsibility of any one formal agency or group in modern society. Rather, subdivisions of that function are assigned to various agencies, and these assignments are subject to change. Unions, for example, have been granted additional responsibilities in the United States and in several western European nations during the past century. Governments, which exercised very inclusive controls during the period dominated by the mercantilist philosophy, were given lesser assignments when laissez-faire doctrines attained ascendancy. During World War II, on the other hand, much broader authority was granted to governmental agencies in all warring nations. Totalitarian states provided minute government regulation of manpower. In this country, governmental control extended to the regulation of working hours and to the detailed appraisal of manpower utilization. Government also imposed ceilings on employment, allocated manpower to military and civilian pursuits, and determined wage rates in individual occupations and localities.

The owners and managers of firms and plants have, in the period of recent history, served as the holders of residual authority and responsibility for manpower management. They have exercised such control as was not allocated to government or to unions of employees or retained by employees themselves. It must be recognized in this connection that individuals have maintained a broad area within which they are "self-managing," *i.e.*, they are free of formal controls. Indeed, one of the most important of our social goals, over a long period of time, has been the objective of maximizing personal freedom of action. Hence major responsibility for manpower management may be said to be shared by individual managements, governmental agencies, unions, and individual employees.

1.4 *Tentative Assignments of Authority.* In a sense, all assignments of responsibility for portions of the manpower management program at any particular time must be regarded as tentative. Each of those to whom such assignments are made is "on trial." That consideration is frequently overlooked in references to the "inalienable rights" of managements and unions. Thoughtless representatives of unions or managements frequently assert that the authority they presently exercise is inseparable from them—that it is inherent in their position and status in modern society. Actually, of course, no such inseparability can be

demonstrated. Both unions and managements have greater responsibilities in some societies than in others. Both have had changing assignments within the experience of those who now make up their membership.

Presumably, societies are constantly watching for better ways of achieving their goals. They try out various arrangements, seeking to perfect them. They shift assignments of duties and responsibilities from time to time. If unions or managements do not get the socially desired results, functions are likely to be reassigned. For example, managements have, in recent years, lost responsibility they formerly held for arbitrary discharges. Similarly, governmental agencies have taken over the function of designating appropriate bargaining units and agents formerly determined by collective bargaining and by economic force. Again, both unions and managements have lost some of the authority for selection of employees they exercised before fair employment practice laws were enacted.

1.5 *Related Terminology.* Before this brief discussion of the meaning and nature of manpower management is concluded, understanding may be improved by reference to related terms used to describe particular phases of or approaches to manpower management. For example, the terms "personnel management" and "personnel administration" are frequently encountered, as are "labor relations" and "industrial relations." Usage of these terms is far from consistent, so that such definitions as are suggested here will not suit all those who use the terms.

Personnel management or administration may be regarded as referring to the policies and practices of individual managements as they apply to and emphasize relationships to employees as individuals. Personnel managers are primarily concerned, therefore, with testing, selection, training, rating, and other functions in which a firm or agency deals with employees as individual persons. The term personnel *administration* suggests the development of policy and a consulting function—the "staff" nature of the job—as contrasted with actual operation or management of the program.

In contrast to this "individual" or "personal" approach, "labor relations" generally refers to the activities of firms or agencies in dealing with groups of employees. It is synonymous with "labor-management" relations or "employer-union" relations.

The term "industrial relations" is broader than either personnel administration or labor relations. As the term ordinarily appears in business organizations, the industrial relations division includes both personnel administration and labor relations and may frequently specify a personnel administrator and a labor relations director as heads of major subdivisions. As the term appears in the designation of university centers, institutes, and sections, it is even more broadly defined to

include union as well as management relationships with employees. Indeed the term *industrial relations* may be regarded as meaning all relationships growing out of the fact of employment. It is, in effect, a synonym for employment relationships.

In this latter sense, the terms manpower management and industrial relations are similar, although they differ in emphasis. Manpower management stresses the process of management; industrial relations emphasizes the relationships that flow from that process.[1]

2.0 Historic Changes in Manpower Management

No better evidence could be found to indicate the dynamic nature of manpower management than that provided by its historic evolution. For the function of managing manpower has been repeatedly revised, transferred, and reassigned. At the same time, "rules of the game"—public policies—have undergone similar changes.

The conception of human beings as slaves of a "master"—as chattel—was widespread in the Middle Ages. That idea persisted, even in the United States, until a century ago. The feudal estate provided a system of manpower management in which the owner exerted almost unlimited control. Traditional rules enforced some restrictions on the allocation of manpower—serfs were attached to the soil they tilled, for example—but management authority was concentrated and clearly identified.

With emergence of the handicraft system, artisans achieved a degree of independence. Responsibility for manpower management was in part transferred to skilled master craftsmen, those who employed journeymen and to whom learners were apprenticed. In the course of this development, public policy changed. A doctrine of "just price" was developed as a yardstick to guide employers and employees in establishing wage rates. Wages, as has been noted, were to be high enough to permit an employee to raise his family and to maintain the economic status to which he was accustomed. The public policy was developed and in part enforced by the church.

2.1 *Early Legislation.* Other historic policies were formulated to meet various emergencies. Thus, in 1351, after the Black Death had greatly reduced labor supplies in England, the parliament enacted a Statute of Labourers. That law required able-bodied men under sixty years of age to accept employment at wages prevailing before the plague. Two hundred years later, in 1562, the Elizabethan Statute of Apprentices represented a more inclusive formulation of public policy on manpower management. The act required a long apprenticeship for all who sought employment in any craft. Wages were determined annually in meetings

[1] See "Industrial Relations Glossary," *Bulletin* 6, University of Minnesota Industrial Relations Center, 1948.

called for that purpose in each locality. Disputes between masters and apprentices were settled by justices of the peace.

These are but historic examples. As the handicraft system gave way to industrial capitalism, responsibilities and rules of the game were further revised. With the passing of the mercantilist era and the advent of physiocracy, government controls were relaxed and greater responsibility was placed in the hands of private employers and managers. Conspiracy doctrines were developed, largely to curb the activities of incipient unions that sought some voice in determining assignments or allocations of manpower and regulating working conditions in the manpower management process.

The gradual recognition accorded unions has been noted in an earlier chapter. As they have come to be accepted—as public policy has developed to support collective bargaining—unions have been given increasing authority and responsibility for various phases of manpower management—for example, for recruiting, training, wage determination, and other important functions.

2.2 *Scientific Management.* At about the same time that unions were consolidating and effecting nation-wide organizations, a movement to "systematize" management gained increasing support in this country and in industrialized nations of Europe. Its leaders in this country were Frederick W. Taylor and Frank Gilbreath. Proponents described the development as "scientific management," on the ground that it involved the application of scientific principles of experimentation and critical analysis to the process of management. Their ideas received widespread popular attention in the early years of the present century.[1]

They advocated what have since come to be known as job analysis, job simplification, motion economy, and time and motion study, in which jobs were to be studied, reduced to the simplest pattern of movements, and standardized in this simple form. They proposed "functionalization" in which each major function in management was concentrated in the hands of specialists.

The movement emphasized the need for technical competence and specialization in management. It thus suggested the need for specialists in manpower management. At the same time, because many unions were suspicious and critical of the movement, its widespread acceptance resulted in serious industrial relations problems. Many of the followers of Taylor were inclined to overlook employee reactions to their innovations. They tended to emphasize effective allocation and utilization of manpower with lesser consideration for goals of personality development

[1] See, for detailed exposition of their philosophy and conclusions, George Filipetti, *Industrial Management in Transition*, Chicago, Richard D. Irwin, 1946; Harlow S. Person (ed.), *Scientific Management in American Industry*, New York, Harper & Brothers, 1929.

and voluntary participation. Opponents charged that they sought to isolate "brains" and "brawn" and to assume that only management should use "brain power." Resulting antagonism between managements and unions encouraged the latter to demand an increasing area of responsibility.

2.3 *Specialized Manpower Management.* The problem of securing efficient cooperation of employees and managements has been described as the "No. 1 domestic problem of our times." World War I brought this problem into the focus of public attention, as did World War II, twenty-five years later. In each war, such cooperation was a matter of necessity in the effective prosecution of the war. In peace, the need for understanding and cooperation in efficient production was less spectacular but not less real. With continued cooperation, the system of free private enterprise might demonstrate its effectiveness in providing a maximum of satisfaction for the wants of mankind. Without cooperation, the system might well be so ineffective as to encourage widespread interest in—if not acceptance of—programs for radical change.

To demonstrate the superiority of the "free enterprise," "free union" system, leaders of management and of organized labor, both desirous of finding a common basis in understanding, have sought to develop sound principles of cooperation. In doing so, they have become specialists in manpower management. Industries and government agencies now employ such specialists—their personnel managers and industrial relations directors. Unions have followed a similar pattern of development. Their leaders have tended to become specialized. Unions have established research and educational units to provide leaders with expert counsel and advice. Unions have sponsored and developed numerous special professional training programs for their leaders. Manpower management is passing into the hands of what is rapidly becoming a professional group in individual managements, in unions, and in the government service.

Evidence of this development is apparent also in the growth of professional consulting firms, whose services are available to unions, managements, and government agencies. Within individual industrial firms, the importance of the new profession continues to grow. "Top management" has recognized its importance by granting high status to those charged with responsibility for counsel and advice on manpower management. The same development is apparent in the increasing numbers of "personnel workers" employed in modern industry. Studies of the "personnel ratio"—the number of specialized personnel workers per hundred employees—show that it trebled in the decade of the 1940's.[1]

[1] For references to surveys of the personnel ratio, see Dale Yoder, "Calculating Your Personnel Ratio," *Personnel*, Vol. 25, No. 5, March, 1949, pp. 332–335.

In industry, in unions, and in the government service, those charged with responsibility for manpower management have recognized their need for special training and experience. Numerous local and national professional associations have been formed. A professional literature, consisting of both periodicals and books, has developed.[1] Specialized training—in the form of short courses and conferences and longer term curricula—is now being offered by a number of universities in the United States, Canada, and in other nations. As a result, a new profession of manpower managers appears to be developing.

3.0 Professional Manpower Management

Reasons for the development of a profession of manpower management in modern society are fairly evident. Basic to all of them is the realization that manpower is a highly complicated resource. Its management requires, for that reason, something more than mere technical efficiency. Indeed, effective manpower management has need for much of the accumulated knowledge of the so-called social sciences. Both individual and group behavior play an important part in the everyday activities of manpower on the job. Individual differences must be recognized. The social tendencies of human nature cannot be ignored.

Understanding of all these varied and complex characteristics of manpower and its behavior is the logical objective of those who seek to become expert in manpower management. While the absence of such understanding may not immediately precipitate disorganization or conflict (in part because human resources are somewhat self-managing), long-term programs are likely to be effective in direct proportion to the degree of understanding held by those who formulate and administer them. For that reason, those who seek to specialize in manpower management need to cultivate and develop the broadest possible understanding of human nature and human behavior.

Because manpower is itself complicated rather than simple, problems facing professional manpower managers are similarly complicated. As a result, the duties performed by those who practice manpower management are similarly complex. One or two examples may make this generalization more apparent. The job of the industrial relations director has been described in part as shown in Fig. 21.1. Figure 21.2 describes part of the job of a union business agent. The range of activities and responsibilities in each of these jobs is impressive.

3.1 *Public Concern.* The public as a whole expects manpower management to achieve the goals modern society has established—to maintain peace in industrial relations, to secure the continued voluntary coopera-

[1] See H. G. Heneman, Jr., "The Industrial Relations Five-foot Shelf," *Bulletin 5*, University of Minnesota Industrial Relations Center, September, 1947.

tion of employees and their unions, to maximize utilization and conservation of human resources, to increase output and income, to raise living scales, to make collective bargaining work. Such an assignment obviously involves many difficult problems. It cannot be accomplished merely by rule-of-thumb procedures. No simple back-slapping paternalism on the part of individual managements nor political maneuvering

INDUSTRIAL RELATIONS DIRECTOR

Title—Industrial Relations Director

Alternate Titles—Director of Labor-Management Relations, Vice-President in charge of Industrial Relations, Personnel Administrator, Personnel Manager

Promotion to—Chief Executive of Firm, General Manager

Promotion from—Personnel Director, occasionally Director of Personnel Research, Wage and Salary Administrator, Labor Relations Director, Line Department Heads

Duties—This is the top position in the field of industrial and labor relations or personnel work. In industry the individual holding this position works under the general administrative direction of the chief executive of the organization. Through continuous consultation with line officers and other staff officers he appraises, formulates, recommends, and interprets all manpower management policies; reviews and appraises the application of these policies; is responsible for continued evaluation of all personnel policies; organizes, staffs, trains and supervises all divisions of the Industrial Relations Department.

He recommends policy for the planning, coordination, and control of: recruitment, selection and placement processes, educational and training programs, wage and salary administration, incentive and bonus plans, economic security programs, personnel research projects, communication between management and personnel, maintenance of appropriate personnel records, safety and health programs, collective bargaining, labor relations, and grievance procedure. He cooperates with the legal counsel in maintaining compliance with federal and state laws and regulations; maintains contacts with other industrial relations executives, in order to evaluate their experience. He formulates personnel policy interpretations for public release, assumes responsibility for the general direction and coordination of employment activities, and cooperates with schools and colleges as a part of recruitment and research programs.

Responsibility for Policy—All personnel policy recommendations by members of the staff are sent to the Industrial Relations Director who in turns makes recommendations to top management.

Initiative Required—A high degree of initiative is necessary in regard to organizational work and policy making for the entire field of industrial relations.

Responsibility for Work of Others—Supervises the work of the Personnel Director, Director of Personnel Research, Medical Director, Wage and Salary Administrator, and Labor Relations Director.

FIG. 21.1. Partial description of the job of the industrial relations director. (*From Philip H. Kriedt and Margaret Bentson, Jobs in Industrial Relations, Bulletin 3, University of Minnesota Industrial Relations Center, 1947, p. 25.*)

by union leaders is likely to be effective over any extended period in moving consistently toward these complicated objectives.

Public interest in manpower management has increased greatly in recent years. Recognition of the seriousness of industrial strife and of the necessity for cooperation in industrial relations was heightened by wartime manpower shortages. Since World War II the years of "cold

UNION BUSINESS AGENT

Title—Union Business Agent (Local level)

Alternate Titles—Business Representative, Business Manager, Labor Relations Agent, Union Organizer

Promotion to—National Union Organizer

Promotion from—Shop Steward, Union Counselor

Duties—This position may be full- or part-time. The Business Agent is usually elected by popular vote, although in some cases he is appointed by the executive council of the local union. He draws up, interprets, and negotiates trade agreements; discusses and settles misunderstandings or disputes arising out of the provisions of such agreements; watches for violations of contracts by either employees or union members; takes necessary steps to remedy any breaches of contracts; appraises worker grievances, advises union members on them, and effects settlements where grievances are valid; may act as financial secretary and, as such, collect dues and fines, issue membership cards, investigate claims for union benefits, and sometimes administer the payment of these claims.

He distributes leaflets and organizational literature to unorganized workers; posts notices for organizational meetings of employees, at which time he explains the nature and purpose of the union; petitions the proper state or federal authority for determination of the bargaining unit and certification of the union as the bargaining agent for the shop; contacts key men in the shop and encourages and develops potential union leadership; makes surveys of unorganized shops in his vicinity to gain information concerning working conditions, hours, wages, characteristics of workers, and controversial issues.

He acts as the union representative to the public, press, and before legislative or other governmental bodies on all matters pertaining to the union and its functions; may call temporary work stoppages in cases of contract violation; maintains familiarity with laws and regulations affecting the union, contract negotiations, and wage adjustments; frequently advises and counsels union members on personal problems; may represent his own or other unions on arbitration panels; may present the union's case in arbitration proceedings.

Responsibility for Policy—May assist in the formulation of plant and union policy concerning wages, hours, safety, production, health, etc.

Initiative Required—Must be able to create and maintain enthusiasm and cooperation within the union. Must be able to counsel and advise union members on a wide range of problems.

FIG. 21.2. Partial description of the job of the union business agent. (*From Philip H. Kriedt and Margaret Bentson, Jobs in Industrial Relations, Bulletin 3, University of Minnesota Industrial Relations Center*, 1947, *p.* 11.)

war" with Russia have focused public attention on the need for efficiency and high-level productivity to counteract foreign campaigns designed to discredit "capitalist" systems. Industrial peace, enthusiastic cooperation on a voluntary basis, and competent leadership in manpower management have taken on added significance under these circumstances.

3.2 *Special Training.* To aid those presently charged with responsibilities in industrial relations and to prepare others to assume similar assignments in the future, special training is now recognized as desirable if not essential. While many firms and unions, in years past, have appeared to assume that any reasonably interested and intelligent aspirant could be entrusted with manpower management and leadership responsibilities, that situation changed markedly in the decade of the 1940's. Before that time, the chief requisite for such jobs, from the standpoint of business firms, appeared to be what was widely described as a desire to "work with people." Within labor organizations, the major requirement was ambition to be a leader.

More recently, however, the need for training as well as special aptitude and interest has resulted in the development of professional-level educational programs by unions, by business, and in public institutions. A considerable part of the "workers' education" programs widely maintained by unions is designed specifically to aid their leaders to be more expert in the manpower management functions they must perform. Many business firms and government agencies have outlined program of "in-service" training, in which those who are to become specialists in manpower management are given experience and tutelage in a number of subordinate jobs within personnel and industrial relations divisions as a preparation for functions they are to perform later.

In addition, several universities now provide professional training for those who seek to work in this field. Much of this training has developed since World War II, although its beginnings extend well into the "between the wars" period. Short courses, conferences, night school classes, and correspondence courses, as well as regular day school classes are offered. They may be specially designed to meet the needs of those who wish to work in the labor movement or in business or government, or they may be of broader interest and value to all these groups. They may carry regular university credit; they may be applicable toward a special certificate or degree; or they may be noncredit courses. Most of the short courses and conferences carry no credit and are open to all, without prerequisites. Some of the short courses are limited to one or two days; others, generally given during the summer months, extend over one or two weeks.[1]

[1] For examples of these programs, consult the announcements issued by the university Industrial Relations Centers and Institutes; see also the releases and publications of the American Labor Education Service.

University participation in training for manpower management may involve the creation of special coordinating agencies or units for this purpose. Some twenty universities in this country as well as several in other nations have created special centers, institutes, sections, and schools that conduct extensive programs of research as well as training. Many other colleges and universities have set up special training units. Most of them seek to combine the personnel and facilities of several social science departments and thus to provide interdisciplinary training in industrial relations. The necessity for a continuing program of research as a basis for more effective understanding and training for this field has been widely recognized.[1]

Professional-level training provided by universities is not only interdisciplinary; it has become increasingly technical. For this reason, many of these courses are equally of interest to those who hold or may seek employment with business managements, with unions, with governmental agencies, or in consulting firms. In spite of the conflict and tensions that inevitably characterize the industrial relations field, most of the new centers and institutes are based on the carefully considered conclusion that the central core of training for manpower management, regardless of the agency by whom the trainee may be presently or later employed, should be uniform. Only by such a common understanding of fundamentals can a sound foundation for long-term cooperation among the parties be assured. Moreover, university programs have sought—without complete success—to avoid partisanship in the presentation and discussion of subject matter. Courses present a wide range of specialized technical training. They may, for example, seek to develop special competence in selective techniques and processes, in counseling, in wage and salary administration, job evaluation, collective bargaining, or labor law. Throughout all appropriate courses, institutions aim to avoid one-sided presentations. Future opportunities for those who plan to work in the field appear likely to place special emphasis on the need for expertness in the field, rather than on partisan or uninformed leadership.[2]

[1] The list of institutions providing such training has grown rapidly. For an indication of the range of research currently undertaken by these centers, see "Memorandum in University Research Programs in the Field of Labor" (New York, Social Science Research Council), released annually, in February. For a list of institutions, see *Labor Course*, New York, Prentice-Hall, Inc., 1948, pp. 108–110; for discussions of the training and research programs, see "Training and Research in Industrial Relations," *Bulletins* 1, 4, and 7, Minneapolis, University of Minnesota Industrial Relations Center.

[2] These observations refer, of course, primarily to the programs developed and maintained by the university centers and institutes. Both business and union organizations frequently conduct conferences and courses that make little or no claim to objectivity and unbiased presentation. They differ fundamentally, also, in their objectives, in that they place a lesser emphasis on technical and professional training. They seek to create, defend, and interpret a particular viewpoint. Their function is thus distinctly different from that of the technical and professional training under consideration here.

3.3 *Professional Standards.* Manpower management has been described in preceding paragraphs as "professional" or "becoming professional." There are many indications that the performance of manpower management functions is achieving increasing recognition as a professional field. For example, in private industry, in government, and in unions, specialists in manpower management—experts in job analysis, job evaluation, labor law, collective bargaining, and others—are widely employed in a "staff" or advisory capacity. They are not "line" operators, but are employed to advise, counsel, and assist the line. That is in itself a clear-cut recognition of their specialized, expert capacity.

One implication of this arrangement is a recognition that all managers are in part and perhaps largely manpower managers. All those who have responsibility for getting the job done—supervisors, foremen, shop stewards, and others—are largely dependent for their success on getting other people to do the things to be done. All need to know and understand manpower management. To advise line managers and assist them, to provide technical knowledge and "know-how," staff specialists are provided. In some cases, these specialists may be employed on a part-time or consulting basis. They may be specialists in only one or two of the major manpower management functions to be described in a later section.

If these "staff" specialists are fully to meet the requirements of professional status, if they are to "measure up" as professionals, there are several qualifications they must maintain. There are well-recognized criteria of professions and professional performance. Among the most important, the following deserve note:

1. They must keep abreast of developments in their field of competence. This means they must know and read and perhaps contribute to the books, periodicals, journals, and research reports that make up the professional literature of the field. They must maintain close contacts with other members of the profession through professional associations, attendance at professional meetings, and otherwise.

2. They must assume a share of the responsibility for advancing the level of understanding and performance in the profession. To that end, they must share their experience with others, follow studies in process, and participate in research. They cannot operate on a "patent medicine" or "business secret" basis.

3. They must recognize a high degree of public responsibility and ethics in their job. They cannot advise or undertake programs they believe to be opposed to the public welfare. If employed in a staff capacity, their advice may be unheeded. But if asked to assume responsibility for a program they regard as socially objectionable, they must refuse, even though that means their resignation.

There are other characteristics of professions that might be noted—specified minimum training, possible examination and certification by public authorities, and others. Not all of them appear appropriate for manpower managers. Some of them may be useful if and as manpower management achieves increasing recognition as a profession.[1]

4.0 Major Manpower Management Functions

Much of the discussion in preceding paragraphs may take on added meaning if attention is turned to a brief description of the major functions performed in manpower management. Basic tasks have already been described as the allocation, utilization, and conservation of manpower. What are the major procedures and devices used to attain these objectives? What principal functions are performed in manpower management?

4.1 *Recruitment.* A preliminary function is that which may be called recruitment. The term means much more, however, than merely advertising for help. It begins with a careful study of jobs, *job analysis*, to discover the necessary numbers and qualifications of employees required in a unit or agency. On the basis of such studies, *staffing schedules* or *manning tables* may be prepared, listing jobs and numbers of employees required for each job.

Attention then turns to sources from which qualified employees may be secured. Such sources may be compared in terms of the performance of those who have been employed from each of them. If a union is to supply employees under provisions of a collective agreement, consideration may be given to union admission and membership requirements. The "hiring hall" procedure, well established in the provision of casual labor for water transportation, may be employed. Comparisons check the relative effectiveness of various recruitment devices, of scouting, advertising, recommendations from present employees, hiring halls, and others. In any case, sound procedure is designed to find employees who meet carefully determined job requirements and, at the same time, to maintain a program of recruitment that is consistent with other social goals.

4.2 *Selection.* The process of selection is based on several of the same procedures utilized in recruitment. Job analysis provides an indication of the qualifications essential to each job. Studies of employee performance provide additional criteria by which to judge applicants for

[1] See, in this connection, C. A. Drake, "Developing Professional Standards for Personnel Executives," *Personnel*, Vol. 19, No. 3, March, 1943, pp. 646–655; Dale Yoder, "Training Needs in Industrial Relations," *Personnel Digest*, Vol. 1, No. 2, April, 1944, pp. 5–6, 23; also Dale Yoder, *Personnel Management and Industrial Relations*, New York, Prentice-Hall, Inc., 1948, pp. 33–37; and Dale Yoder, "Trends toward Professionalism in Personnel Work," *Personnel Journal*, Vol. 28, No. 9, February, 1950, pp. 326–328.

positions. Test analysis discloses which types of test are effective in distinguishing those who are likely to be successful in each major category of jobs.

Procedure in selection may use a wide range of tests and interviewing techniques in appraising potential employees. It may consider work histories, home life, affiliations and associations, and other similar personal information. Application blanks, references, school records, and other such sources of information may be consulted. On the basis of such information, applicants are screened, classified, and rejected or guided to jobs for which they are qualified.

The selective function may be regarded as including *placement* on the job. New employees are shown to their assignments and given an orientation with respect to the significance of their job in the over-all purpose of the organization. They are advised of the facilities, services, and benefits available to employees, and introduced to those with whom they are to work. They may be shown through the entire establishment, provided with a sponsor to introduce them to others and assist them in "learning the ropes." They may be advised of their opportunities to join a union or of the requirement that they do so if collective bargaining has specified a union shop. They may be introduced to the union shop steward for their division. In many cases, a "follow-up" in two to four weeks seeks to appraise their "adjustment" to the assignment and their reaction to the new job. Throughout the entire recruitment and selection process, careful consideration must be given by both unions and managements to such public policy as is expressed in fair employment practice laws. Similarly, selection must be consistent with the social goal that seeks a maximum of personality development and opportunity for personal growth.

4.21 *Promotion and transfer.* An important source of candidates for all except the most unskilled trainee positions is the present work force. Advantages of promotion or transfer of present employees into higher rated jobs are many. Such "promotion from within" is likely to be reflected in higher levels of employee morale, a more general sense of employee security, and greater loyalty. At the same time, problems of training and orientation are reduced. Since costs of training are frequently high, many managements give careful attention to possibilities of promotion.

Transfers of employees from one job or division to another may be arranged at the request of employees who wish to work in particular processes, to be associated with friends, or to move into lines they regard as closer to their interests and abilities. Other transfers may be necessitated by shifts in production which require a reduction in the work force in one division at the same time that another division is expanding.

Seniority represents a major consideration in many promotions and transfers, layoffs and rehirings. Some managements and unions regard it as most important; more frequently, however, seniority and ability are combined as bases for promotions. Controversies have arisen over the question as to which of these considerations is to be given greatest weight. The most common solution appears to be one in which ability is first considered, after which the employee having greatest seniority among those who are qualified for the job receives the promotion.

Modern practice stresses the need for *systematic* promotion and transfer. It emphasizes uniformity and consistency, with planned promotional lines rather than haphazard, indefinite procedures. Such planned movements permit carefully scheduled training at the same time that they develop an attitude of security and confidence among employees. Systematic transfer may be particularly important in programs designed to stabilize employment and guarantee wages. In such arrangements, flexibility in the working force assumes special importance, for it facilitates continued employment.

4.22 *Service rating.* As one means of identifying those interested in and deserving of promotion, employees may be *rated* at regular intervals. Such *service* or *efficiency* or *performance ratings* also provide a basis for granting "merit" wage increases and for "spotting" prospective supervisors and potential executives.

Service ratings generally seek to record the impressions of several fellow employees or supervisors with respect to personal qualities (such as initiative, cooperativeness, honesty and reliability, and others) that cannot be accurately measured. They ask raters to record their judgments on specific characteristics rather than any "over-all" or general impression. They make use of rating "scales" that permit noting various degrees or differences with respect to each quality.

Quarterly or semiannual ratings may be made a part of the permanent record for each employee. Composite ratings, representing the combined estimates of several raters, may be discussed with an employee as a means of helping him to improve his performance.

4.3 *Training.* Another major manpower management function involves training for employment. For skilled craftsmen, this function is frequently performed jointly by a union and an individual management, through an apprenticeship program. Other types of training, particularly *job training* and *supervisory* or *executive training*, are generally provided by managements. Some training for jobs is provided by public institutions through vocational schools and colleges and universities.

4.4 *Compensation.* Manpower must be paid for its services. Here again, unions may play an important part, through negotiation of wage rates and through participation in the sometimes complicated programs

of wage and salary administration. Payment may include salaries, hourly rates, *piece rates* or more complicated individual or group *incentive wage* plans. Wages may be established through an elaborate system of *job evaluation* that compares jobs, noting the requirements of each job in terms of skill, training, unusual working conditions, responsibilities for the welfare of fellow employees and for property, and other similar features. Wage rates are matched with numerical measures of these job elements. Jobs are thus rated from that having the lowest total score to the highest. They may then be divided into labor grades, with wage rates fitted to the various levels thus established.

Time study may be used in setting rates and calculating incentives. Annual or other periodic *bonuses* may be paid. *Dismissal wages* or *severance allowances* may be granted those who leave the firm. *Premium rates* for overtime, *call-in* and *call-back* pay, and such *fringe items* as vacation pay, sick leave, and others require careful appraisal and understanding. Modern manpower management seeks to evaluate each of these techniques and devices, to discover whether or not it is accomplishing the objective for which it is established.

4.41 *Employment stabilization.* As a part of the job of providing adequate year-round compensation, manpower management is always concerned with the maintenance of stable employment. Wage rates, as has been frequently noted, are of little significance if there is no employment. Increasing demands for "guaranteed employment" or for "annual wages" reflect a recognition of this basic relationship.

Unions may play an important part in regularizing and stabilizing employment, both by securing guarantees of annual wages and by facilitating continuous employment. One means of encouraging steady employment involves increasing the versatility of union members, so that they may be assigned to various tasks. If working rules unduly restrict the transfer of employees, on the other hand, employment stability may be adversely affected.[1]

As has been noted in Chap. 9, modern practice has developed a wide range of devices that aid in employment stabilization. Hours may be adjusted to level weekly employment throughout a longer period. Steps may be taken to stimulate sales during usual "slack" periods. Emphasis may be placed on securing orders far in advance. New markets may be developed. Goods may be stockpiled during seasonal declines in consumption. Interdepartmental shifts and transfers of personnel may be

[1] See, for discussions of the possibilities of stabilization, Lyle Fitch and Horace Taylor, *Planning for Jobs*, Philadelphia, The Blakiston Company, 1946; Douglas B. Copland, *The Road to High Employment*, Cambridge, Mass., Harvard University Press, 1945; Abba P. Lerner and Frank D. Graham, *Planning and Paying for Full Employment*, Princeton, N.J., Princeton University Press, 1946; Alvin H. Hansen, *Economic Policy and Full Employment*, New York, McGraw-Hill Book Company, Inc., 1947.

helpful. Training may increase the versatility of employees and thus facilitate their assignment to a range of jobs rather than a single position.

4.5 *Supervision.* In a sense, the whole function of manpower management is that of providing supervision and direction for employed manpower. Certainly the converse is true; supervision is essentially manpower management.

Successful supervision is based on leadership; all the qualities that make a successful leader are important in effective supervision. Hence the qualifications of an effective supervisor must include much more than merely acceptable understanding and performance of a production job. Many managements have overlooked this fundamental fact. They have assumed that the most expert lathe operator is naturally qualified to be the supervisor of lathe operators. Recognition of the fallacy in such a procedure has encouraged widespread dependence on special training courses for supervisors—courses in which qualities of leadership may be developed. Heavy emphasis in such training is generally placed on basic principles of manpower management.

Among the many phases of manpower management that supervisors must understand are those of molding organizational structures to production requirements, planning operations, delegating responsibility and authority, and interpreting managerial policy and practice. Supervisors must understand how to give instructions, maintain discipline, and handle grievances. They must appreciate the need for training and see that employees secure training not only for the jobs they hold but for such jobs within the organization as may be open to them in the foreseeable future.

Supervision must appreciate and cooperate in the use of effective selection and placement techniques. Supervisors may be called upon to interview applicants and, in some cases, to try them out on the job. They may have to explain more or less complicated wage and salary arrangements to employees. In many cases, they must regularly rate employees under their direction. Under some systems, they may be called to discuss ratings with employees. In addition to these manpower management functions, supervisors must understand production processes and problems and accept responsibility for "getting out the work." The complexity of the supervisory function is impressive.[1]

4.6 *Collective Bargaining.* In modern industrial relations, collective bargaining is so important that, in many business organizations, a special "labor relations" division assumes this responsibility. On the part of unions, it is an obvious if not the most obvious function.

[1] For an excellent discussion of these points, see Claude Edward Thompson, *Personnel Management for Supervisors*, New York, Prentice-Hall, Inc., 1948; for an outline of qualities of leadership, see Ralph M. Stogdill, "Personal Factors Associated with Leadership," *Leadership Studies*, No. 1, Personnel Research Board, Ohio State University, 1948.

The collective-bargaining function in manpower management means much more than merely negotiating a contract once each year. For both management and union, it means interpreting and applying that agreement every working day. It includes planning ahead for such negotiations as are to come, gathering statistics and information, studying other agreements in different industries or localities, noting changes in legislation and the rulings of courts and labor relations boards, analyzing complaints and grievances, arguing cases in arbitration, and discussing proposed developments and changes in existing agreements with top management, supervisors, union representatives, and employees.

Collective bargaining is one of the manpower management functions in which union officials play a part as important or more important than that of management representatives. Both perform many of the same functions, although their objectives are in a sense opposed. As may be recalled, both union and individual management objectives are complicated. Neither unions nor managements can be assumed merely to seek greatest immediate gains in the bargaining process.[1]

4.7 *Employee Services.* In many employment situations, modern manpower management includes provision of various *services* for employees. These facilities may be established, supported, and controlled solely by managements, or they may involve extensive direction by employees and their unions. Some of them are stipulated in collective agreements; others are financed by payroll deductions and/or employer contributions arranged by negotiation.

Such services are of several major types. Most widely recognized are probably health and welfare services, including medical and dental care, hospitalization, nursing services, and sick benefits. In addition, financial services include credit unions, savings and loan associations, cooperative purchasing provisions, and others of a similar nature. A third group of services provides a variety of insurance, including health, accident, and life insurance, and pension and retirement provisions. Food and recreational services are also widely provided. They include maintenance of employee cafeterias and dining rooms, provisions for dietetic advice, and organization of various athletic, musical, and other recreational programs.

Services may include maintenance of one or more employee publications. They may also make legal aid available to employees. These

[1] For added details, see George W. Taylor, *Government Regulation of Industrial Relations*, New York, Prentice-Hall, Inc., 1948; Leonard J. Smith, *Collective Bargaining*, New York, Prentice-Hall, Inc., 1946; Edward T. Cheyfitz, *Constructive Collective Bargaining*, New York, McGraw-Hill Book Company, Inc., 1947; L. H. Hill, *Pattern for Good Labor Relations*, New York, McGraw-Hill Book Company, Inc., 1947; Jack Barbash, *Labor Unions in Action*, New York, Harper & Brothers, 1948, Chaps. 5 and 6.

are only the most common provisions; others are less frequently available.[1]

4.71 *Counseling.* Special mention should probably be made of a type of service that has attracted increasing attention in recent years and has been widely acclaimed by both unions and managements. It involves provision of counselors, whose major function is to assist employees in their adjustment to living and working conditions and in meeting such personal and family problems as arise. Counselors may be employed and paid by managements or by unions. They are available to listen to and advise employees on personal problems, on a strictly confidential basis. They are familiar with managerial and union policies and with the resources and facilities of the community. Specially trained for this work, they listen to an employee's recital of difficulties, make suggestions, recommend the services of various community agencies, and personally help in arranging transfers, settling debts, securing medical or dental or legal aid, and in making other necessary adjustments.[2]

4.8 *Control of Working Conditions.* Manpower management must accept a large share of responsibility for all of the "working conditions" that surround employment. It must be alert to see that these conditions are maintained on a basis consistent with long-term objectives of society, so frequently reiterated in these pages. Hence those responsible for manpower management have a major interest in hours of work, in protecting health, in ensuring safety and reducing accidents. They are concerned also with housing for employees and with maintenance of adequate transportation facilities. They must maintain a careful check on hours of work. They recognize the need for relaxation, recreation, and participation in community activities. Every phase of the work situation and of living facilities for employees deserves careful consideration, although a frequent tendency to overemphasize the physical surroundings—heating, lighting, ventilation, and others—may be noted.

4.81 *Maintaining morale.* Employee attitudes reflect the satisfactory or unsatisfactory nature of working and living conditions. Hence manpower managers representing both unions and employers are interested in these attitudes. They may undertake regular "morale surveys" in which, by interviews or questionnaires, they seek to discover sources of friction and discontent. Morale measurement may thus suggest changes

[1] See, for greater detail, John Cameron Aspley and Eugene Whitmore, *The Handbook of Industrial Relations*, Chicago, The Dartnell Corporation, 1948, Sections 41–52; Dale Yoder, *Personnel Management and Industrial Relations*, New York, Prentice-Hall, Inc., 1948, Chap. 19.

[2] See Dorothy K. Newman, "The Woman Counselor in War Industries," *Special Bulletin* 16, Women's Bureau, 1944; Ordway Tead, "Employee Counseling—A New Personnel Assignment," *Advanced Management*, Vol. 8, No. 3, July–September, 1943, pp. 97–103; Nathaniel Cantor, *Employee Counseling*, New York, McGraw-Hill Book Company, Inc., 1945.

in hours, in employee services, in shop rules and regulations, and in various other working conditions.[1]

Similar indications of employee reactions may be revealed in studies of suggestion systems and by analysis of "exit interviews" and causes of absenteeism and tardiness.

On the basis of information thus provided, managements and unions may plan courses of action designed to improve and maintain morale. Managements may seek to remove deficiencies in supervision or other unsatisfactory working conditions. Unions may secure modified interpretations of contract clauses or effect adjustments in the services they provide for their members.

4.82 *Handling grievances.* A major responsibility in all manpower management and one that is closely related to employee morale is the careful consideration and disposition of grievances. They represent situations in which employees feel that they have not been treated fairly and are therefore aggrieved. Many collective agreements provide extensive procedures for their settlement. Thus, as noted in an earlier chapter, they may require, as a first step, that the aggrieved employee and the shop steward take up the grievance with the foreman. If it is not settled there, step two may provide for consideration by a grievance committee, composed of union and management representatives. Step three may involve action by the officers of the union and the plant industrial relations director. A later step may provide for final and binding arbitration.

In any case, sound practice requires that every grievance receive careful consideration, that it be settled promptly, and that the reason for its development be thoroughly investigated. One commonly applied check seeks to discover what proportions of all grievances are settled in each of the various steps, on the theory that most grievances should be solved in the early stages of the grievance procedure.

4.9 *Records and Research.* Manpower management includes, as another essential function, the careful maintenance of a wide range of records and the determined pursuit of additional understanding through research.

To some extent, most of the records maintained in modern industry are personnel records. Certainly the data of payrolls, individual production, tardiness, absenteeism, and related considerations are of major import to manpower management. In addition, training reports, employee ratings, personal data as recorded on application blanks and in subsequent interviews and records of disciplinary action—to mention

[1] See, for details of morale measurement, Eugene J. Benge, *How to Make a Morale Survey*, Deep River, Conn., National Foremen's Institute, 1945; Tom M. Boggs and Louis L. Maness, "How to Conduct Employee Opinion Surveys," *Factory Management and Maintenance*, Vol. 104, No. 3, March, 1946, pp. 90–94.

only a few—may be of importance in improving practice. Such records provide the data on which promotions and transfers may be based; they permit the comparative evaluation of sources of employees; they facilitate numerous studies of management and union practices and techniques.

Research offers the promise of improved practice. It is the principal method of ensuring such improvement. Several private and public agencies, in addition to individual firms and unions, maintain continuing research programs in industrial relations. Professional journals report the results of these studies, so that practitioners may benefit from the growing knowledge of the field and improve their practice.

Many international unions now maintain research divisions. While a large part of their activity is designed to provide detailed information for use in collective bargaining, they also study the effectiveness of various management techniques. In some firms, manpower research is specialized and made the responsibility of a special officer.[1] Several universities have established industrial and labor relations centers, institutes, and sections which undertake responsibility for a continuing research program in this area.[2]

University research in the field is essentially interdisciplinary. Since the applied science or art of manpower management is concerned primarily with human behavior, its problems are of interest to all social sciences. Their solution frequently benefits from or requires the points of view and research techniques of economics, psychology, sociology, and other social sciences. For that reason, several of the university units provide an interdepartmental research staff. Results of their studies are published in special bulletins and in articles in the several scientific and professional journals that specialize in this field.[3]

5.0 Future of Manpower Management

Two clear-cut trends are apparent in the field of manpower management. One is the recognition of necessary specialization and professional competence and responsibility. Provision of special training curricula and facilities, development of professional associations, a growing professional literature, and extensive discussions of professional ethics

[1] For a job description of this position, see Philip H. Kriedt and Margaret Bentson, "Jobs in Industrial Relations," *Bulletin* 3, Minneapolis, University of Minnesota Industrial Relations Center, 1947, p. 44.

[2] For current reports on such research, see the annual "Memorandum on University Programs of Research in the Field of Labor" (New York, Social Science Research Council) since 1946; also the *Proceedings* of the annual Conferences on Research and Training, published by the University of Minnesota Industrial Relations Center in its *Bulletins* 1, 4 and 7, since 1945.

[3] For a list of such publications, see Herbert G. Heneman, Jr., "An Industrial Relations Five-foot Shelf," *Bulletin* 6, Minneapolis, University of Minnesota Industrial Relations Center, 1947; Dale Yoder, *Personnel Management and Industrial Relations*, New York, Prentice-Hall, Inc., 1948, pp. 850–854.

and regard for the public interest—all these developments attest to the vitality of this trend.

A second trend is apparent in the growing realization that all managers must of necessity be manpower managers. Manpower, more than anything else, is what they must direct and supervise. Their success depends largely on their ability to manage men. Moreover, their experience in this endeavor is a prime requisite for top management and direction, both in industrial management and in the top leadership of labor organizations. The trend toward recognition of this fact is clearly evidenced in *Fortune's* quotation from Mr. Louis Ruthenburg,[1] president of Servel, Inc. He says,

> As we struggle toward the millennium of industrial relations, I think we shall find management awakening to the fundamental nature of human relations which has stupidly been relegated to a position of secondary importance. Then the big boss will major in industrial relations rather than engineering, production, sales, or finance.

QUESTIONS AND EXERCISES

1. Explain the distinction made in the text between management and managements.
2. What essential elements make up the management function or process?
3. How does manpower management in the government service differ from that in private industry?
4. Show that the functions of manpower management are much alike regardless of the political complexion of modern industrial nations.
5. Why are current assignments of responsibility in manpower management described as tentative?
6. What distinctive meanings are given to the terms personnel management or personnel administration, labor relations management, industrial relations, and manpower management?
7. Show that systems of manpower management have evolved to accompany long-term social, economic, and political evolution.
8. How is "scientific management" related to manpower management?
9. Why is the practice of manpower management described as an emerging profession?
10. What indications of the professional status of modern manpower management can be cited?
11. Describe major elements in the point of view with which professional training for manpower management is offered by universities.
12. How is professional training for manpower management related to workers' education?
13. Explain the significance of the fact that manpower managers are accorded "staff" rather than "line" status in modern industry.
14. What functions are performed in modern manpower management by consulting firms?
15. Should students who enroll in courses in personnel management, labor economics, and related courses regard them as training for staff or line positions?
16. Outline the principal manpower management functions and describe each of them.
17. In what sense can it be said that all management is manpower management?
18. Why are university research programs in the field of manpower management generally interdisciplinary?

[1] February, 1949, p. 105.

Chapter 22

Constructive Industrial Relations

What are the principles to be applied in securing the efficient voluntary cooperation of "men and machines" toward socially established objectives? What major techniques and devices may be helpful in securing such cooperation? Are there promising formal plans or formulas for industrial relations in a "free" society? How can manpower management—developed to a semiprofessional level and representing both employers and employees—demonstrate advantages of the system of free enterprise and free unions?

These are questions to which great consideration has been given in recent years. They have been recognized as of major importance—to unions, to managements, and to all citizens of democratic nations—especially since the trend toward socialism and communism has become prominent in several foreign nations. The threat to the so-called "free enterprise system" has been widely discussed. The hazard to "free" unions has attracted similar attention. Need for effective cooperation of managements and employees has appeared more clearly. On the one hand, it has been recognized that our system must operate efficiently if it is to compete successfully in world markets. On the other hand, it has appeared clearly that conflict in industrial relations imperils the political and social structure of any society that encourages voluntarism—that it creates a fertile field for advocates of revolutionary change.

These questions have motivated numerous case studies of "satisfactory" employment relationships.[1] In these studies, attention has been directed to means whereby effective cooperation is encouraged and to working conditions under which enthusiastic voluntary participation emerges. Students have sought to discover the special nature of these situations and to note the devices, provisions, arrangements, and relationships that appear to be associated with the best practice in current industrial relations.

In this chapter, attention turns to the most frequently described proposals for achieving maximized cooperation under a system of voluntary participation. First, a number of specific arrangements and

[1] See the several National Planning Association Studies; see also Frederick H. Harbison and Robert Dubin, *Patterns of Union-Management Relations*, Chicago, Science Research Associates, 1947; also E. Wight Bakke, *Mutual Survival: The Goals of Unions and Management*, New Haven, Yale University Press, 1946.

devices deserve careful consideration. Profit sharing, employee stock ownership, employee representation, labor-management cooperation—these are among the principal formulas that have been proposed and tried. On the basis of experience with these and other programs, suggestions may be found for the continued advancement and improvement of cooperation—for constructive industrial relations.

1.0 Profit Sharing and Stock Ownership

A perennial suggestion for securing continued and enthusiastic cooperation on the part of managements and employees proposes to make all employees owners and entrepreneurs by distributing a share of profits to them or making them stockholders. The two devices are considered together in this section, because they are closely related, both in origin and in operation.

While there are many varieties of what has been described as profit sharing, the basic characteristic of all such plans is the fact that they allow employees to share in the residual income ordinarily distributed to stockholders or retained in the business. "Profit," as the term is used in such programs, refers to the net income normally accruing to owners of the business. It reflects the success of the year's operations. Thus, profit sharing seeks to place employees in a position paralleling that of owners and to intensify the community of interest of owners and employees in successful operations.[1]

1.1 *Profit-sharing Arrangements.* The Council of Profit-sharing Industries defines profit sharing as "any procedure under which an employer pays to all employees, in addition to good rates of regular pay, special current or deferred sums, based not only upon individual or group performance, but on the prosperity of the business as a whole."[2] This definition emphasizes several essential characteristics of such plans, including (1) added compensation to employees, (2) payments in addition to accepted levels of wages, and (3) payments based on successful business operations. The definition is similar to that of the International Cooperative Congress, which described profit sharing in a statement issued more than fifty years ago, in 1889, as "an agreement freely entered into, by which the employees receive a share, fixed in advance, of the profits."

Several studies of such plans have appeared in recent years.[3] The

[1] For a comprehensive study of profit sharing in this country, see "Survey of Experiences in Profit Sharing and Possibilities of Incentive Taxation," *Senate Report* 610, 76th Cong., 1st Sess., 1939; for an excellent and up-to-date analysis of 84 representative profit-sharing plans, see the *Profit Sharing Manual*, published by the Council of Profit-sharing Industries, 15 East 16th Ave., Columbus, Ohio, 1948.

[2] *Profit Sharing Manual*, published by the Council, 15 East 16th Ave., Columbus, Ohio, 1948.

[3] See "Profit Sharing for Workers," *Studies in Personnel Policy*, No. 97, New York,

range of experience has broadened widely during and since World War II, as may be judged from the fact that profit-sharing bonuses were being paid in about 2 per cent of all establishments—manufacturing and nonmanufacturing—surveyed during 1945 and 1946 by the Bureau of Labor Statistics.[1] A National Industrial Conference Board Survey, made in 1946, found profit-sharing plans covering all employees in 11.5 per cent of the industrial firms surveyed. This is double the proportion found in a similar survey undertaken in 1939, when 5.9 per cent of all plants reported such plans. In the 1946 survey, 50.2 per cent of all plans then in existence had been started in the years from 1941 to 1945. Unusually high proportions of firms in machinery and metal manufacturing industries had such provisions.[2]

In the 1946 NICB study the following objectives were given as explanations for establishing these plans: belief in the principle that employees should share in profits; better employer-employee relations; increased efficiency; means of securing flexibility in wages and reduction of labor turnover; providing an opportunity for employees to save; encouragement of the appreciation of capitalism.

Plans show great variability in their specific provisions and formulas. Eligibility for participation varies, as do methods of distributing profits, the deferment of benefits, and administrative arrangements.

Results of profit sharing are not uniform or conclusive. Opinions vary as to the effectiveness of various types of plans. The Senate investigation of 1939 concluded, on the basis of a vast array of evidence, that:

1. Profit sharing had generally reduced strikes and labor turnover and improved employee loyalty and efficiency in the concerns in which these plans were operating;
2. These results were most clearly evidenced under profit-sharing provisions that were not restricted to a few executives and supervisors but extended to rank-and-file employees.
3. Plans were more effective in attaining these results if their provisions created partnership relationships (by issuing stock or relating shareholder's returns to those of employees).
4. Plans that provided for the accumulation and saving of employee's shares of profits were especially effective.
5. Profit sharing has demonstrated its possible values, in improving employee enthusiasm and morale, in adding to employee security, and in reducing class consciousness.

National Industrial Conference Board, 1948; "Profit Sharing for Employees and Executives," *Management Record*, Vol. 9, No. 12, December, 1947, pp. 388–397; C. Canby Balderston, *Profit Sharing for Wage Earners*, New York, Industrial Relations Counselors, 1937; Bryce M. Stewart and Walter J. Couper, *Profit Sharing and Stock Ownership for Wage Earners and Executives*, New York, Industrial Relations Counselors, 1945; Kenneth M. Thompson, *Profit-sharing*, New York, Harper & Brothers, 1949.

[1] "Extent of Non-production Bonuses," *Monthly Labor Review*, Vol. 65, No. 4, October, 1947, pp. 451–455.

[2] F. Beatrice Brower, "Profit Sharing for Workers," *Studies in Personnel Policy*, No. 97, New York, National Industrial Conference Board, 1948, pp. 5–6.

On the other hand, there have been many failures in such plans, and their greatest values may be limited to industries not seriously affected by cyclical fluctuations.

Opinions as to the essentials for success in profit sharing have been frequently summarized. Most recent of such conclusions is that of the National Industrial Conference Board based on the 1946 survey. The statement outlines requisites of satisfactory plans as follows:[1]

In the light of previous surveys and of the present investigation, several basic conclusions may be drawn on the elements which should be present if a profit-sharing plan is to succeed.

First: The wage scale should equal or exceed the going rates of the community for similar tasks. It should be impressed upon the worker that the supplemental bonus depends upon profits and is in no respect a part of wages.

Second: There should be profits to distribute in sufficient amounts to make the bonus worthwhile. If the share is not large enough, the eligibility may have to be restricted so that the share for each participant represents an adequate sum.

Third: Sound personnel administration is a requisite to a successful profit-sharing program. Profit sharing is only one factor in a well-rounded industrial relations program. Harmonious employer-employee relations have been found to be essential to the successful operation of profit-sharing plans. If an employee trusts management he will be more willing to accept management's word on the profitableness of the enterprise.

Fourth: One remedy for possible employee dissatisfaction and distrust with the profit-sharing plan is a program of employee education on the principles involved.

Fifth: Profit sharing cannot be used to cover up shortcomings of management in the field of labor relations.

Sixth: Profit sharing seems to offer the best opportunity to increased teamwork and greater efficiency in the smaller and medium-sized organizations where the individual sees more clearly the connection between his own efforts and the profitableness of the enterprise.

1.2 *Stock-ownership Plans.* Earliest employee stock-ownership plans developed out of profit sharing. In England, early profit-sharing plans were modified, when added capital was needed, by distributing stock instead of cash to employees. In some cases this change was optional on the part of employees; in others it was required. The result was described as "copartnership." It was only a short step to "contributory copartnership," in which stock was sold to employees.

Such plans are said to have originated in England as early as 1829. Dickinson reports on the profit-sharing plan of a French painter, Le

[1] *Ibid.*, p. 44; see also Berkeley Cox, "Fifty Million Stockholders," *Advanced Management*, Vol. 12, No. 4, December, 1947, pp. 148–153; Charles C. James, "The Pros and Cons of Profit-sharing," *ibid.*, Vol. 13, No. 3, September, 1948, pp. 111–115.

Claire, who experimented with the device in 1842.[1] According to the Senate Committee report of 1939, profit-sharing plans were tried out by Pillsbury Flour Mills (1882), the Baltimore and Ohio Railway (1884), Procter and Gamble (1886), and several other firms in the United States before the turn of the century. In several of these experiments, profits credited to employees were distributed in the form of stock or could become the basis for stock purchases.

In this country, many of the early plans to sell stock to employees met with little success. First to succeed on a large scale was the plan of the Illinois Central Railroad, undertaken in 1893. Ten years later, in 1903, the United States Steel Corporation was successful in launching a far-reaching stock-purchase program among employees in widely scattered plants. Another large program, that of the American Telephone and Telegraph Company, was started in 1921. Plans increased rapidly in the period of World War I and immediately thereafter. Real wages were rising, business was prosperous, and employees had become accustomed to saving through the Liberty Bond campaigns in the war. More than 200 employee stock-ownership plans were started in the decade prior to 1929. A National Industrial Conference Board report of 1929 found some 389 plans in operation at that time. The report indicated that more than a million employees had subscribed for a billion dollars' worth of these securities. Other estimates place the number of plans then in operation in this country as high as one thousand.[2]

Many of the plans foundered shortly after the stock market crash in 1929. Few employees wanted to buy stocks in the years immediately following. Unemployment reached record peaks, and employee income was so reduced that many stock-purchase programs had to be discontinued. Some resumption of earlier plans appeared in the subsequent recovery period, and a movement to encourage stock ownership by employees gained some headway in the prosperous years following World War II, but interest did not reach the heights established in the earlier period.

In most current plans, stock is made available—on an entirely voluntary basis—to employees having specified years of employment with the firm. Usually, the amounts for which an employee can subscribe are limited, sometimes in terms of a relationship to annual earnings. Stock may be sold at the current market price, or a special issue may be made available at a significant reduction. Partial-payment arrangements are generally provided.

[1] L. C. Dickinson, *Compensating Industrial Effort*, New York, The Ronald Press Company, 1937, p. 329.

[2] *Employee Stock-purchase Plans in the United States*, New York, National Industrial Conference Board, 1929; see also "Company Plans for Employee Savings and Investment," Princeton University, Industrial Relations Section, 1932.

Resale of such stock may be restricted, especially if it is sold to employees at less than current market prices. If special stock is issued for this purpose, it may have no open market, so that it can be sold only to the management that issues it or to other employees. Some of this special stock is nonvoting. In many of the plans, stock is sold only to supervisors and executives.

Many questions arise concerning these plans. Are they economically sound and socially desirable? Do they increase the mutuality of employer and employee interest and provide an added basis for cooperation? Unqualified answers to these questions are scarcely appropriate.

Some labor organizations have opposed these plans, on the grounds that they tend to mislead employees and to limit their participation in bona fide union activities. Employees may be misled, it is argued, by being convinced that they have a greater community of interest with owners and stockholders than is realistically justified. Actually, their holdings may be so small as to make their influence insignificant. Moreover, managements, by paying a few principal stockholders large salaries as officers, may reduce the importance of dividends and thus lessen the advantage to employee stockholders. The latter, it is argued, are less likely to be willing to participate in union activities and to join in usual demands for higher wages and related objectives. Plans may thus seriously interfere with the organization of employees. Radicals have opposed these stock-ownership plans because they seek to appeal to the selfish interests of individual employees and thus to mobilize their opposition to more extensive socialization.

More immediately realistic objections may also be found. There is question whether employees should be encouraged to place "all their eggs in one basket" by investing savings in the same firm that provides them with employment. To some extent, this argument loses force if employees move around from one firm and locality to another. But stock-purchase plans may tend to reduce that mobility. In so doing, they may prevent socially desirable reallocations of manpower. This latter effect is of doubtful importance under present conditions, principally because the total amount of employee stock ownership is so insignificant in industry as a whole.

More fundamental is the question as to whether devices such as profit sharing and employee stock ownership serve to unify objectives and encourage cooperation and efficient production. Effects of falling stock prices or profitless operation on the morale of employees have been a matter of frequent conjecture, although actual evidence is not conclusive. Stock ownership might also result in an increasingly critical attitude toward management. If employees own stock, they may seek a more active part in management and try to influence policies with respect to

finance, advertising, reinvestment of earnings, and other phases of business. Such a development would pose many interesting questions of public policy.

If stock were widely distributed among employees, some motivation toward cooperation might be encouraged. But experience to date has provided little evidence of this effect, chiefly because employee stockholders in so many plans have been largely restricted to supervisors and long-employed skilled employees and because proportions of employees owning stock have been small and amounts of stock so held comparatively insignificant.[1]

As world economies have been reorganized following World War II, advocates of the free enterprise system have frequently suggested that employees in this country should be urged to recognize that they are essentially capitalists. They hold stock; they have savings and checking accounts; they carry extensive life insurance. Why, it is asked, are their attitudes not those appropriate to capitalists? Some industrialists have proposed to stimulate additional distributions of stock to employees as one means of developing attitudes in support of the system.

All such discussions tend to overlook the comparative significance of employee income from capital ownership as contrasted with their wages. Wages are generally several times as great as all the dividends and interest they receive. Wages exert the dominant influence in setting the scale of living for wage earners' families. Levels of wages thus determine how much saving is possible for wage earners. Their possible increasing participation as capitalists is thus largely dependent upon their success in raising wages. They are, therefore, wage earners first and capitalists only by a poor second.

Profit sharing is subject to the same general limitations as employee stock ownership. When profits are not distributed as stock but are paid in cash, payments are generally made at year ends. Under most plans, a fixed percentage of profit is first set aside for stockholders. The remainder of profits—or more commonly a stated percentage of any such remainder—is then distributed to employees, usually in proportion to earnings during the year.

Experience has appeared to demonstrate that employee interest in a possible share of profits tends to lag if distribution is not frequent. Hence annual bonus systems appear likely to be effective in stimulating high-level performance only for supervisors and executives, and not for rank-and-file employees. Even if educational campaigns are effective in maintaining day-to-day interest in profits, this motivation suffers when profits disappear. On the whole, therefore, neither profit sharing nor employee

[1] See, in this connection, Robert F. Foerster, "Employee Stock Ownership," *Encyclopedia of the Social Sciences*, Vol. 5, pp. 506–509.

stock ownership appears to provide a universally applicable and effective stimulus to continued cooperative effort in large-scale industry, although they may do so in smaller, more compact units.[1]

2.0 Employee Representation Plans

In earlier years, one of the most widely proposed means of securing the enthusiastic cooperation of managements and employees was some system of group representation for employees under what were called employee representation plans. Such plans established in-plant associations of employees frequently patterned after outside or independent unions. They then provided that these organizations would be consulted by managements in day-to-day planning and operation of the business. Specific provisions varied widely, as did the designations given these arrangements.

Some of the plans contemplated collective bargaining, in that committees negotiated terms of employment. More frequently, they handled grievances and passed employee suggestions and requests on to representatives of management. Many of them emphasized forums in which employees could discuss matters of interest, express their criticisms and suggestions, and perhaps be answered by representatives of the management. Some plans involved joint committees of employees and managers, in which current operating problems were discussed and through which managements could transmit information to employees. The latter were frequently encouraged to express their opinions, formulate suggestions, and indicate their wishes. Some of the plans sought to simulate the form of political legislatures.

The idea of employee representation is said to have been proposed to an industrial commission of the German Constitutional Assembly in 1849. It was tried out in Germany in 1873. Such representation arrangements were widely discussed in the early 1920's, as a result of a report by the English Whitley Committee. That report proposed an elaborate system of plant committees and works councils throughout all industry, with central committees for each major industrial group, as a means of hastening post-World War I recovery plans. More recently, in years following World War II, works councils have been encouraged in both Sweden and Germany. In these more recent situations, they are largely supplementary to established collective-bargaining arrangements.

In this country, the earliest plan is said to have been that of the Nernst Lamp Company, introduced in 1904. In 1907, a similar arrangement was provided by the Nelson Valve Company. For a time, the number of such plans increased very slowly, but after World War I, in which

[1] See Lyle W. Cooper, "Profit-sharing," *Encyclopedia of the Social Sciences*, Vol. 12, pp. 489–492.

manpower considerations received new emphasis, plans increased rapidly in number. After the enactment of the NIRA in 1933, the movement was accelerated. That statute stated a public policy favorable to collective bargaining and asserted that employees must be permitted to bargain collectively through representatives of their own choice. Many managements encouraged development of representation plans for that purpose, seeking thus to prevent organization of their employees by outside unions. An inquiry conducted by the Bureau of Labor Statistics in 1935 discovered 593 plans—4 per cent of all reporting firms—in operation. A survey undertaken by the Commonwealth Fund in March, 1935, concluded that there were 2½ million members of these "company unions" at that time.

After the NIRA was held unconstitutional in May, 1935, interest in many of the plans waned. In July of that year, the National Labor Relations Act was passed. It raised serious question as to the propriety of such plans, since many of them could properly be regarded as interfering with the self-organization of employees and therefore as involving an unfair labor practice. When the National Labor Relations Board clearly indicated its intention to refuse certification of employer-dominated organizations, much of the impetus behind the movement disappeared. Within a few years, representation plans had almost completely vanished.

Although many of the plans were widely advertised as having established "industrial democracy," their provisions scarcely justified such claims. Some of them did serve a useful function in improving two-way communication between managements and employees. They permitted a semblance of collective bargaining, in that representatives of employees frequently negotiated agreements with employers. In many cases, the experience gained by employees in these representation plans led them to join and organize independent unions.

On the other hand, plans were subject to serious limitations. There can be no question but that many if not most of them were initiated and sponsored by managements as a means of preventing organization by independent unions. They were generally attacked by labor organizations, from whom they received the title of "company unions." Their actions were carefully guided and restricted by managements in many cases, so that while they appeared to speak for employees, their language and viewpoint were those of employers. Few of them were financially independent. They were barred from affiliation with independent unions (in this they varied sharply from established practice in European nations), and had few contacts or relationships with similar organizations in other firms or localities. Only a few of them required dues from their members. Only a few negotiated written agreements. When the Bureau

of Labor Statistics studied some 592 plans in 1935, only ten plans, including 1.2 per cent of all members of such plans, were found to include all these essential characteristics of bona fide unions. Few of the plans included the usual union health, loan, and life insurance benefits. Almost all were confined to a single firm.[1]

Although these plans have almost completely disappeared, some of the useful functions they performed have not been absorbed by independent unions. Particularly in those situations in which unions and managements prefer to bargain on a national scale, local works councils and committees may be useful in dealing with day-to-day problems, discussing developments in the individual firm, and supplementing other means of communication between managements and employees. It is notable, in this connection, that practice in several European nations encourages just such arrangements, in addition to usual collective bargaining.

3.0 Union-Management Committees

Union-management or labor-management committees represent something of a revival of the "Whitley Council" idea, coupled with a clear-cut recognition of the independent status of labor organization. Through such committees, the parties—managements and unions—have sought to secure many of the benefits of employee representation and of union-management cooperation (to be described in the next section of this chapter) without the full development of a comprehensive basis for cooperation.

Greatest interest in these joint-committee arrangements in the United States appeared during World War II. Programs initiated at that time were too hurried to permit careful planning for comprehensive, all-inclusive cooperation. More than 5,000 such labor-management committees were established in the United States during the war in plants having more than eight million employees. More than three hundred of them were established in Canada. In this country, the movement was stimulated and directed by the Labor Production Division of the War Production Board.

In general, plans sought to enlist union cooperation in dealing with the then serious problems of absenteeism and tardiness, to improve employee morale and stimulate output, to interpret wartime regulations, especially the 48-hour wartime work-week, the job "freeze" and wage policies, and to help in solving such pressing problems as housing and transportation.

[1] See C. W. Guilleband, "Industrial Relations Councils," *Encyclopedia of the Social Sciences*, Vol. 7, pp. 717–722; William M. Leiserson, "Company Unions," *ibid.*, Vol. 9, pp. 124–125; Robert W. Dunn, *Company Unions*, New York, Vanguard Press, 1927; "Collective Bargaining through Employee Representation," New York, National Industrial Conference Board, 1933; "Characteristics of Company Unions," Washington, U.S. Bureau of Labor Statistics, *Bulletin* 634, June, 1937.

Plant committees were generally composed of equal numbers of representatives from the union or unions of employees (elected on a shop representation basis) and of managements. A central or executive committee, generally having two cochairmen—one labor, one management—provided leadership and coordination. Special care was taken to ensure representation of all shifts and departments.

In practice, committees dealt with every type of problem that could be regarded as interfering with all-out production. They created special subcommittees on housing, on recruitment, on absenteeism, and on training. They sponsored recreational and educational programs for employees. They published mimeographed bulletins for employees, with suggestions for improved attendance, punctuality, and increased efficiency. They analyzed production problems, considered difficulties in securing materials, and cooperated in improving plant housekeeping and the maintenance of tools and equipment. That they contributed greatly to wartime manpower management is beyond question.

In spite of these accomplishments, most of the committees were discontinued when war ended. Such action requires explanation, and several studies now in process seek to find the reasons behind it. On the surface, several reasons for their rapid disappearance appear to be significant. For one, committees generally postponed controversial subjects during the war, but could not avoid them when war ended. Resulting conflict encouraged disintegration of the committees. Problems of unsatisfactory wage rates or work assignments, for example, were generally referred to grievance committees or other agencies. Collective bargaining was not a part of the committee procedure, and many issues that came up in the committees were referred to union and management bargaining representatives. Some of them were settled; others remained controversial. While the war continued, committees tried to ignore these conflicts and to concentrate on problems on which they could cooperate.

When the war ended, many of these sources of friction had accumulated and could not be sidestepped. They divided the membership of the joint committees and prevented cooperative action. Also, the period of bitter industrial strife following World War II, like that which followed World War I, created an atmosphere in which only the strongest bonds, long established through years of cooperation and mutual confidence, could be maintained. Also, wartime committees had frequently acted on matters regarded by managements as being private managerial problems. Some managements unquestionably feared this invasion of their precincts.

For these and other reasons, labor-management committees disappeared rapidly in immediate postwar years. Only a few hundred of them remain in the United States. But their accomplishments suggest

the possible values to be gained by genuine cooperation, in an atmosphere of confidence and understanding.[1]

4.0 Union-Management Cooperation

Several of the arrangements described in this chapter—all designed to implement effective manpower management—vary mainly in the range of managerial functions in which unions and managements cooperate. "Union-management cooperation" is a means of more inclusive collaboration than the usual shop committees or Whitley Councils or some of the employee representation plans. It is more inclusive cooperation than that provided by wartime labor-management committees. Moreover, union-management cooperative plans represent a long-term program under a definite "partnership" arrangement.[2]

Provisions of union-management cooperative plans are more extensive and detailed than usual collective agreements. The systems they establish—involving regular joint conferences, encouragement of suggestions from employees, airing of grievances in open meetings and before representatives of labor and management, and reference of numerous personnel and other technical managerial problems to unions or to joint boards of arbitration for disposal—are all somewhat different from the formal stipulations of rights, privileges, and procedures for the settlement of disputes that are characteristic of most collective agreements.

It is worthy of note, also, as one of the fundamental distinctions between union-management cooperation and any sort of company unionism or employee representation, that employees have frequently taken the initiative in encouraging development of union-management cooperative plans.

Dubin has defined union-management cooperation as involving a situation in which "union and company together actively work to make production as efficient as possible."[3] He goes on to say that "to man-

[1] See results of a study presently in process at the New York School of Labor and Industrial Relations; "War-time Methods of Labour-Management Consultation in the United States and Great Britain," *International Labour Review*, Vol. 52, October, 1945, pp. 309–334; Ernest Dale, "Accident Reduction through Labor-Management Committees," *Management Review*, Vol. 37, No. 8, August, 1948, pp. 432–435.

[2] For an excellent short summary of experience with such plans, see "Greater Productivity through Labor-Management Cooperation," *Research Report* 14, American Management Association, 1949; for a more extensive study, see E. J. Lever and Francis Goodell, *Labor Management Cooperation*, New York, Harper & Brothers, 1948; see also West D. Stotts, Martin E. Withrow, and Ray Phillips, "Labor Management Cooperation, A Case Study in the Minneapolis Laundry Industry," *Bulletin* 2, Minneapolis, University of Minnesota Industrial Relations Center, 1946; Clinton S. Golden and Harold J. Ruttenberg, *The Dynamics of Industrial Democracy*, New York, Harper & Brothers, 1942.

[3] Robert Dubin, "Union-Management Cooperation and Productivity," *Industrial and Labor Relations Review*, Vol. 2, No. 2, January, 1949, p. 193.

agement officials cooperation on production generally leads to an expectation that the union will formulate its bargaining demands from a cost-conscious and efficiency-minded standpoint. Furthermore, coupled with this is an implicit management expectation that the union will take the initiative in operating what amounts to a suggestion system by bringing forward production ideas to improve efficiency. To union officers and members cooperation on production usually means that management is willing to admit workers to at least a limited partnership in making key decisions affecting production."[1]

Dubin further insists that "the basis of stable union-management relations lies in developing a system of joint consultation between company and union." Such consultation is sharply distinguished from collective bargaining, for the latter is dependent upon the use or threat of power by one or both parties. He notes three types or levels of consultation: first, that in which the union is used to transmit information to employees; second, that in which management recognizes that some decisions affect the union and therefore consults with the union on such questions; and third, that in which "management seeks union assistance in much the same fashion that it seeks the counsel of a business consulting service, or a firm of outside engineers."

In the United States, plans for union-management cooperation have generally been promoted by managements or by local unions. In Europe, and especially in Germany, whole federations of unions developed comprehensive programs for somewhat similar cooperation in the decade after World War I. Similarly, in England, when industrial unrest became serious in 1925 and 1926, and especially after the general strike in the latter year, the Whitley Councils program was supplemented by a widespread campaign for what was called "Mondism." Sir Alfred Mond represented employers in the negotiation of the plan, which involved the recognition of unions, provision for employee stock ownership, conciliation of disputes, and continuous consultation and cooperation between managements and unions.

Among the earliest of these arrangements to receive general recognition in the United States is the so-called "B. and O. plan." This project, instituted by the management and employees of the Baltimore and Ohio Railroad, first took definite form in 1923. The plan was given its first tests in the Pittsburgh shops of the company. In February, 1924, it was instituted in all 45 of the railroad's shops. Since that time, essentials of the plan have been duplicated in three other railway union-management cooperative programs, including those of the Canadian National Railways, the Chicago and Northwestern, and the Chicago, Milwaukee, and St. Paul.

[1] *Ibid.*, pp. 195–196.

Similar arrangements have since been extended into numerous other industries. In 1924, when a demand was made upon employees in the men's clothing industry for a wholesale reduction in wages, the Amalgamated Clothing Workers Union responded by suggesting that a plan of cooperation with management that had been worked out by labor would save more than the proposed wage reduction. The plan was given a trial and demonstrated its possibilities at once. Programs providing for union-management cooperation have also appeared in the electrical trades; in the wholesale upholstering industry in New York; in the printing industry; in the ladies' garment industry; in the carpet-weaving industry; in the cloth hat and cap industry; in the glass industry; and in street railways, hosiery knitting, textiles, and others.

4.1 *Principles and Objectives.* Plans differ rather widely in specific details of the arrangements they provide and in the degree of responsibility they place upon employees and their organizations. Basic principles have been summarized by O. S. Beyer, Jr., and William H. Johnson, who arranged details of the original plan for the Baltimore and Ohio Railroad, as follows:[1]

1. Full and cordial recognition of the standard labor unions as the properly accredited organizations of the employees.
2. Acceptance by management of these unions as helpful, necessary, and constructive in the conduct of industry.
3. Development between unions and managements of written agreements governing wages, working conditions, and the prompt and orderly adjustment of disputes.
4. Systematic cooperation between unions and managements for improved service, increased efficiency, and the elimination of waste.
5. Willingness on the part of managements to help unions solve some of their problems in return for the constructive help rendered by unions in the solution of some of management's problems.
6. Stabilization of employment.
7. Measuring and sharing the gains of cooperation.
8. Provision of definite joint union and management machinery to promote and maintain cooperative effort.

4.2 *Union-Management Cooperative Committee.* The most tangible and distinctive element in union-management cooperative arrangement is the cooperative committee. These committees are somewhat similar to Whitley Councils or other forms of works councils. They are representative of both management and employees, who are usually represented in equal numbers. A committee of 10 is most common. This

[1] O. S. Beyer, "Labor Management Cooperation," *Monthly Labor Review*, Vol. 27, No. 4, October, 1928, p. 662; see also his "Machinery of Cooperation," *American Federationist*, Vol. 36, No. 11, November, 1929, pp. 311–319.

committee meets regularly. It " . . . does not, as a rule, concern itself with collective bargaining, which is handled in the regular way by separate negotiation and agreement. The committee is concerned, instead, with a study of productive methods to determine, scientifically, whether or not the work of the shop is being performed economically, safely, and effectively."[1] It calls to its assistance, to this end, time-study experts, cost accountants, and any other technicians who can aid in discovering inefficient and costly processes and suggesting ways in which greater efficiency can be secured. In committee meetings, also, suggestions of employees as to desirable changes are given consideration, and labor objections or those of management to present or proposed arrangements are weighed.[2]

4.3 *Problems and Prospects.* Like profit sharing, employee stock ownership, and other devices described in preceding pages, union-management cooperation achieves greater success in some situations than in others. Not all reports are glowing; moreover, there are unquestionably many experiments that have not been reported. Probably the fairly successful programs are more likely to be publicized than those that fail.

Some of the plans appear to have grown out of adversity and thus to suggest that possibly they are most effective when both employers and unions recognize the precarious position of profits, employment, and earnings. Under such circumstances, the mutuality of interests of employees and owners is most apparent, and both are willing to make concessions.

Plans show wide variance in the extent of cooperation they involve.

[1] Geoffrey C. Brown, "The Union-Management Cooperative Committee," *American Federationist*, Vol. 37, No. 6, June, 1930, pp. 674–675.

[2] *Ibid.*, p. 675; see also L. A. Wood, *Union-Management Cooperation on the Railroads*, New Haven, Yale University Press, 1931; S. T. Williamson and Herbert Harris, *Trends in Collective Bargaining*, New York, The Twentieth Century Fund, Inc., 1945, Chap. 11; Edwin C. Robbins, "Labor Management Cooperation," *Harvard Business Review*, Vol. 21, No. 4, Summer, 1943, pp. 415–424; Clinton S. Golden, "How to Achieve Full Labor Management Cooperation," *Advanced Management*, Vol. 11, No. 1, March, 1946, pp. 21–24; Herbert J. Buchsbaum and Sidney Garfield, "From Conflict to Cooperation—A Study in Union-Management Cooperation," *Applied Anthropology*, Vol. 5, No. 4, Fall, 1946, pp. 1–30; Kurt Braun, *Union-Management Cooperation*, Washington, D.C., The Brookings Institution, 1947; W. R. Dymond, "Union-Management Cooperation at the Toronto Factory of Lever Brothers, Limited," *Canadian Journal of Economics and Political Science*, Vol. 13, No. 1, February, 1947, pp. 1–42; Goetz A. Briefs, "Can Labor Sit in the Office," Supplement to *American Affairs*, Summer, 1948; Jack Barbash, *Labor Unions in Action*, New York, Harper & Brothers, 1948; E. J. Lever and Francis Goodell, *Labor Management Cooperation*, New York, Harper & Brothers, 1948; Paul F. Brissenden and John M. Keating, "Union-Management Cooperation in Millinery Manufacturing in the New York Area," *Industrial and Labor Relations Review*, Vol. 2, No. 1, October, 1948, pp. 3–33; also Ernest Dale, "Increasing Productivity through Labor Management Cooperation," *ibid.*, Vol. 3, No. 1, October, 1949, pp. 33–34.

Only a relatively small number seems to represent anything like a "full" partnership for employees. In many, employees cooperate by improving productive efficiency; employers cooperate by maintaining close consultation on matters they regard as properly of interest to the union and its members. In many other important managerial decisions—with respect, for example, to financing, price policy, and other such matters—management plays a lone hand.

In any long-run program, these semipartnership arrangements appear likely to encounter difficulties. If there is real agreement by employees that they do not wish to have any voice or responsibility for these broader phases of management, the arrangement may be satisfactory. But isolation of the union partner from participation in decisions that—in the long run—have significant effects on employees is likely to result in a gradual decline in the incentive to positive cooperative action on the part of the union. There is evidence that this degeneration has already appeared in several of the programs.

Where the cooperation is full and inclusive, on the other hand, these arrangements have a solid foundation and appear likely to withstand all ordinary stresses. The greatest threat to their success is probably the difficulty of communicating to union members a clear understanding of the reasons for major decisions. In the absence of adequate communication—about the retention of funds for capital improvements, for example—demagogues may unseat the stable leadership of the union and precipitate a period of conflict and a breakdown of the cooperative relationship.

Experience to date does not justify the anticipation that this problem will prove to be beyond solution. Increased educational attainment of employees that is at least partially responsible for their more inclusive demands has, at the same time, qualified them for better understanding of business problems. By and large, employees probably have a far more enlightened point of view with respect to the need for reserves and for capital investment than ever before. They will require more facts and more understanding if they are to assume added managerial responsibilities. That has been made clear by several studies of employee opinions as to prevailing levels of profits and dividends. But they can get that understanding and they can appreciate facts. Most American employees and leaders of their unions are prepared to assume increasing responsibilities in the industrial partnership.

5.0 Elements in Sound Industrial Relations

The value of such experiments as have been described in preceding pages is apparent. While not all of them have been successful in achieving idealistic conceptions of full cooperation, they have suggested by their

successes and failures many principles to be considered in planning for improvement in the industrial relations of the future.

From these varied experiments, all of which have been designed to secure and assure cooperation of managements and employees, some conclusions should be possible as to what arrangements offer promise in this direction. Some cues as to steps modern societies might wisely take should appear from this experience. Some likely means of assuring advances toward socially established goals, so frequently mentioned in preceding pages, should be suggested.

There are those who argue, of course, that no full-scale cooperation is possible in a system involving private ownership. The usual argument on this point holds that there is no basis for cooperation in a mutuality of interests—that the interests of employers and employees are opposed rather than mutual or harmonious—and that the relationship of the parties is inevitably one of competition and conflict—of what Sumner long ago described as "antagonistic cooperation."[1]

Some misunderstanding on this point arises out of a common error in analysis of industrial relations, a tendency to confuse the situation of individual employees and local unions as well as local firms with the broader situation when the economy is considered as a whole. To some extent, also, the misunderstanding reflects an unreal emphasis upon theoretical labor markets. Certainly, if problems of labor mobility and other mobility are ignored, if it be assumed that labor will move immediately to those points where its income is maximized, and if it is assumed that this course of action is always uppermost in the minds of employees, then the element of competition between employer and union assumes major importance. The same conclusion follows if it is assumed that employers are interested solely in maximization of profits or that unions seek only to push wage rates or earnings as high as possible. But these are only assumptions; they do not describe much of what is present-day reality.

In actual situations, the major proportion of all employees is made up of men and women who have an interest in improving the stability and income of employment in the firm in which they are employed. They are directly concerned with its success and its profitability. They have an interest in its technological progress. They are even concerned with its long-term competitive prospects, its public relations, its reputation in the community.

Moreover, a large share of them are interested in the maintenance of private ownership and of "free" (as distinguished from governmentally regulated) unions. As has been frequently noted, neither the goals of employees—as individuals or as union members—nor those of manage-

[1] William G. Sumner, *Folkways*, Boston, Ginn & Company, 1906, p. 16.

ments are purely economic. Employees want many things from industry—greater security, higher real wages, more recognition and prestige, less sham and ostentation, less privilege and favoritism—but in none of these are their interests completely incompatible with those of either owners or managers. On the contrary, for many employees, these objectives may be more nearly attained by strengthening the economic position of their employer than by assuming an entirely independent and antagonistic position.

Many employees, for example, regard the prospect of moving to a new locality as involving greater fears of insecurity than that of remaining in the present situation, with whatever shortcomings it may have. For others, local connections and relationships—part-time jobs, ownership of homes and rental or other property, and similar opportunities—offer economic advantages greater than wage increases to be secured by moving. Participation in local associations—churches, schools, lodges, and others—represent values that are entirely consistent with the social goals of our society and, at the same time, major considerations in the value system of the individual.

In the individual firms where men work and in the local communities in which they live, therefore, there is an ample harmony of interests to justify cooperation. The question is: how is this harmony to be made more apparent and more effective as a motivating factor?

5.1 *No Panaceas.* One conclusion seems immediately apparent from the experience of the past—no single formal device can be depended upon to solve the problem. There is no simple panacea. No employee representation plan or profit-sharing program or stock-ownership arrangement will work satisfactorily in all situations.

What, then, shall we conclude? That all these devices are useless and futile? That there is no means of achieving true cooperation of employers and employees under the present system? That the interests of managements or employers and of employees are so different that no basis for effective cooperation exists?

Rather, the conclusion may well be that certain principles of cooperation may be inferred from past experience and experiment; that through the application of such principles progress may be made. No sudden, inclusive dawn of perfect cooperation is to be expected, but by using the experience already gained, applying the principles demonstrated in the past, and by constantly studying employment relationships and seeking broader understanding, steady progress can be made.

That determined action along such lines is essential must be understood. The choice is between learning from experience and experiment and putting such learning into practice—thus steadily advancing—and retaining outmoded arrangements until drastic change is demanded.

What are some of the principles of improving cooperation under a system of free enterprise? What steps must be taken if the present system is more nearly to approximate social goals? A few of the most important of these principles have been outlined in the paragraphs that follow.

5.2 *Desire to Attain Cooperation.* To begin with, those who are entrusted with leadership among both employees and managements must honestly desire cooperation if they are to attain it. If their objectives are vindictive, if they are out to "get" someone or to "show" someone else, to demonstrate their superior power, to return to the "good old days" or to invoke some new, untried millennium, these attitudes in themselves preclude success. Similarly, if they don't want the system to work, if they seek to demonstrate its undesirability, they cannot be expected to achieve successful manpower management and satisfactory industrial relations. Leaders who support such noncooperative objectives may be readily noted. Some of them are the "radicals" so widely discussed and criticized. Others are recalcitrant reactionaries, having vested interests to protect. Societies must recognize them and identify their efforts to gain support and grasp positions in which they can interfere with constructive programs.

5.3 *Status for Wage Earners.* Any sound program of industrial relations that is expected to meet current and future needs must begin with and maintain attitudes toward wage earners in which they are regarded with respect and accorded recognition as valued citizens. The honest "dignity of labor" must be transformed from a phrase into a reality. Steps must be taken to give added prestige to manual occupations. Such a change requires the modification of popular attitudes. It takes time. But it is a process that is well under way. Shortages of manpower in two world wars have awakened a new regard for labor. Labor, on the other hand, is becoming more deserving of respect and complete acceptance. Cultural differences between manual labor and white-collar employees are being narrowed. Rising living scales have permitted a general advance in education. Far-seeing leaders are more numerous than ever before. Rank-and-file union members are better educated, more able to understand the issues in industrial conflict and the possible benefits to be gained by cooperation.

Every tendency toward class consciousness on the part of labor is a step in the other direction. Hence any practice or device that interferes with free movement among occupations must be regarded with concern—the "open-class" system or, better still, an "unclassified" system is essential.

Manual and so-called menial jobs must probably be paid relatively higher wages—differentials between compensation for such jobs and

wages and salaries of more skilled employees, executives, and some highly paid professional pursuits must be reduced. Only by such an upward "leveling" can social distance be reduced. Almost certainly, provision must be made for a broader program designed to assure social and economic security, so that employees will not be constantly faced with the possibility of disastrous unemployment or poverty-stricken illness.

Evidence clearly indicates that progress is being made in these directions. Differentials in income are being reduced. But the movement may be expected to go much further. The range of salaries—from unskilled occupations to top executives and movie actors—implies a range of abilities that is unsupported by any appraisal of personality traits. Cooperation is not likely to be wholehearted under a distributive system that defies rationale.

Adjustments in compensation represent only one and a most obvious means of improving the status of wage earners. They must be given and must be willing to accept added public assignments and responsibilities, greater recognition as productive citizens. Working conditions may be adjusted to remove subtle suggestions of subordination. Employees must work "with" rather than "for" managers. Out-of-date terminology of "bossism" and "giving jobs" must be recognized as inappropriate. In general, public opinion must evidence a real regard and respect presently talked about but seldom shown.

5.4 *Professional-level Leadership.* Manpower managers, whether they represent employers or unions of employees, need professional competence and responsibility. The public cannot respect incompetent, irresponsible leadership, nor can employers or employees. Leaders of the future must be fitted, by natural aptitude, interest, and adequate training and experience, to perform the functions entrusted to them.

Moreover, they must maintain a high regard for the public interest in their day-to-day operations. They must recognize the fact that society has entrusted them with its most valuable resource, its manpower. They must understand and accept the goals societies have established for the efficient utilization and conservation of manpower in a system of voluntary cooperation. They must recognize their primary responsibility as professional workers to the public.

Such leaders will require specialized professional training. They cannot be expected to develop professional competence or an adequate appreciation of public interest out of their day-to-day experience. They must know and understand current developments and techniques. Training for manpower management—industrial relations—will have to become an accepted requirement for those who are to be leaders in labor and industry.

5.5 *Honesty, Sincerity, Integrity.* At the risk of appearing to describe the unreal and unattainable, a place must be made for the development and maintenance of the simple virtues of honesty and reliability in modern industrial relations. An atmosphere of mutual trust is elemental in any truly cooperative long-term relationship. Such trust cannot be developed so long as leaders fail to tell the truth and the whole truth.

Industrial relations in the current scene are full of misrepresentations. Managements misstate the facts with respect to profits and earnings; unions misrepresent earnings and real wages and adjustments in these conditions. Every experienced labor arbitrator has had direct contact with such misrepresentation. News stories frequently carry misleading information furnished by one or the other of these parties. Even governmental agencies have been guilty of this offense.

Sound industrial relations cannot be developed in such an atmosphere. But cooperation can be expected when parties present the facts accurately. Too many businesses have regarded the simple facts of their operations as highly confidential. In the absence of such facts, too many unions have been willing to substitute their version and to publish it as accurate and reliable.

Some of the devices described in earlier sections of this chapter may be useful in this connection. Union-management cooperative committees may help. A union representative on the board of directors of an employing firm may encourage an honest exchange of facts. But a basic requirement is the intention to be honest.

5.6 *Respect for Law.* Leaders representing both managements and unions must maintain a respect for the law. Lawlessness in industrial relations is socially intolerable, regardless of the source. Employers who "take the law into their own hands" and union leaders who allow the mass movements they represent to disregard the law—both do an incalculable injury to the cause of long-term, sound industrial relations.

Such a respect for law and order must extend fully to the protection of minorities, the minority that wants to join a union, the minority that wants to return to work after a strike, the minority that crosses a picket line, the minority that wants a change of management. Our whole system is founded on a concept of government by and through laws. That system cannot be relaxed at one point or another or to the advantage of any individual or group, regardless of its economic or political power. Socially desirable objectives can always be obtained by measures that are within the law.

5.7 *Union and Management Security.* Lack of security engenders fear and belligerence in both individuals and organizations. Hence, sound industrial relations are not to be expected when unions feel that they are

merely tolerated, principally because their membership is presently large and their friends are politically powerful. Collective bargaining has been repeatedly declared to be the policy of the nation. Unions have been assigned numerous functions. Cooperation can be improved, therefore, by a point of view that recognizes their permanence and propriety so long as they operate in the public interest, and avoids any suggestion of attack on the status given them in modern society. They must be made to understand that the only hazard to their security is failure to perform the tasks assigned to them by society.

Managements suffer from the same "jitters" as do unions. Many representatives of managements fear that unions or government are going to "take over." They are afraid to give an inch lest they lose a mile. Sound industrial relations must be based on recognition that the function of employing manpower is as essential, in modern large-scale industry, as the function of working or being employed and that broad responsibilities have been assigned to private managements. They too need have no fear of losing these responsibilities, so long as they perform them better than others to whom they might be assigned.[1]

5.8 *Search for Understanding.* The field of manpower management is so complex and so dynamic that there are always many facets of it that no one understands. Economic, psychological, sociological, and other problems are apparent to every careful student. Sound industrial relations will be encouraged by continued study, by never-ending research in the field.

In part, such studies should supply *facts.* Many of the conflicts and misunderstandings that now prevent effective cooperation arise because no reliable and mutually acceptable facts are available. Data of wages, hours, earnings, shift differentials, costs of living, vacations, sick leave, insurance, and other benefits are typical of the kinds of facts that should be readily available. They should be provided by impartial agencies, whose reports will have general acceptance. They should be given publicity, so that an enlightened public opinion will support their widespread use.

At the same time, research must seek to provide an understanding of the processes that typify employment relationships. It must find out how and why labor markets operate as they do. It should study the system of "industrial jurisprudence"—of industrial civil rights developed in collective bargaining[2]—to discover effects and implications and to appraise the values of the system.

[1] See, in this connection, the series of studies arranged by the National Planning Association on "Causes of Industrial Peace," especially Clark Kerr, "Factors in Achieving Industrial Harmony," *Reprint* 6, University of California Institute of Industrial Relations, 1948.

[2] Sumner H. Slichter, *Union Policies and Industrial Management,* Washington, The Brookings Institution, 1941, p. 597.

Research is essential because modern societies cannot wait for the slow emergence of improved practice based on trial and error. Errors are too costly when the "materials of the experiment" are the human resources of society. As Dr. Pendleton Herring has said, "Population trends, technological changes, balance of power politics—all indicate that the permissible margin for error in man's relations to man and to his environment has narrowed. As the margin for error grows less, the need for applied intelligence grows greater."[1] To speed improvements, research must be undertaken, research designed to provide facts and understanding as a basis for agreement and cooperation.

The need for such research is apparent in the limitations of knowledge in even the most elementary phases of industrial relations. Effects of wage levels on employment, elasticity of demands for labor in various markets, principles of the differential participation of family members in the labor force, the influence of minimum wage legislation on employment, processes by which unions and managements develop their policies and make decisions, the importance of various frictions in labor marketing—these and scores of other important phases or aspects of industrial relations are not clearly understood. More serious, the absence of understanding is frequently unrecognized by many who confidently describe relationships that may or may not have validity.

In a large measure, therefore, the future of industrial relations is dependent upon research. If such study makes it possible for manpower managers (including unions) to perform more effectively, societies may more nearly attain the goals they have established. They will accept such management as satisfactory, at the same time that they create new objectives for which to strive. But if research is inadequate, if friction and misunderstanding occasion conflict and disorganization, then social evolution may readily be converted into revolution.[2]

QUESTIONS AND EXERCISES

1. What synonyms can you suggest for the term "constructive" in the chapter title?
2. Why is communism not included here as one of the possible means of attaining constructive industrial relations?
3. Describe relationships between employee profit sharing and employee stock ownership and indicate how they are different.
4. Describe common features of profit-sharing plans, indicate the extent of their coverage, and summarize their principal benefits and shortcomings.

[1] In Social Science Research Council, *Annual Report, 1947–48*, p. 9.

[2] For further discussion of these points, see Dudley F. Pegrum, "Planning and Economic Science," *American Economic Review*, Vol. 31, No. 2, June, 1941, pp. 298–307; Chester I. Barnard, *The Functions of the Executive*, Cambridge, Mass., Harvard University Press, 1947; Schuyler D. Hoslett, *Human Factors in Management*, Parkville, Mo., Park College Press, 1946; Clinton S. Golden and Harold J. Ruttenberg, *The Dynamics of Industrial Democracy*, New York, Harper & Brothers, 1942; Seymour Harris (ed.), *Saving American Capitalism*, New York, Alfred A. Knopf, Inc., 1948.

5. Describe common features of employee stock-ownership plans, indicate the extent of their coverage, and summarize their benefits and shortcomings.

6. Discuss the possibilities of creating the attitudes of capitalists in the minds of wage earners.

7. Explain the rise and decline of employee representation plans in this country.

8. Describe the principal functions of union-management committees in World War II.

9. Why were union-management committees generally short lived after the war?

10. How is union-management cooperation related to collective bargaining?

11. Describe the usual composition and functions of the union-management cooperative committee.

12. How do you appraise the value of and prospects for union-management cooperation in the future?

13. Are the interests of employers and employees essentially harmonious, or are they conflicting in modern industry in the United States?

14. Do any of the devices described in this chapter appear to you to suggest a sounder basis for constructive industrial relations?

15. Why should any leader in industry or labor organization not want to develop satisfactory cooperation under the present system?

16. What specific steps can be taken to increase popular recognition of the "dignity of labor"?

17. What is meant by professional-level leadership in manpower management?

18. Why are union and management security stressed as important elements in constructive industrial relations?

19. Why do leaders in managements and in unions sometimes violate the usual rules of law and order?

20. Describe, in one sentence each, ten problems you regard as deserving highest priorities in industrial relations research, as a basis for developing constructive industrial relations in this country.

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