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# National Industrial Conference Board

15 BEACON STREET, BOSTON, MASS.

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THE National Industrial Conference Board is a co-operative body composed of representatives of national and state industrial associations, and closely allied engineering societies of a national character, and is organized to provide a clearing house of information, a forum for constructive discussion, and machinery for co-operative action on matters that vitally affect the industrial development of the nation.

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PROBLEMS  
OF LABOR AND INDUSTRY  
IN  
GREAT BRITAIN, FRANCE  
AND ITALY

REPORT  
OF THE  
EUROPEAN COMMISSION  
OF THE  
NATIONAL INDUSTRIAL CONFERENCE BOARD

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NATIONAL INDUSTRIAL CONFERENCE BOARD  
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## Foreword

THE accompanying report on "Problems of Labor and Industry in Great Britain, France, and Italy" by a special Commission of industrialists appointed by the National Industrial Conference Board, is the result of first-hand observation of industrial conditions in these countries during the readjustment period following the cessation of hostilities. It was the belief of the Board that such a report on labor and industrial issues abroad would be of direct and substantial service to American industry in the consideration of its own problems of industrial readjustment. This expectation, the Board feels, is amply justified by the report.

The Commission was composed of the following:

CHARLES W. ASBURY, *Chairman*,  
Vice-President and Treasurer The Enterprise Manufacturing  
Company of Pennsylvania,  
Philadelphia, Pennsylvania.

S. PEMBERTON HUTCHINSON,  
President The Westmoreland Coal Company,  
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Vice-President Westinghouse Electric and Manufacturing Company,  
New York City, New York.

WILLIAM H. VAN DERVOORT,  
President Root & Van Dervoort Engineering Company,  
East Moline, Illinois.



In the course of their inquiries in Europe, members of the Commission visited leading industrial centers in Great Britain, France, and Italy, and interviewed a large number of prominent industrialists, government officials, and labor leaders, all of whom showed the Commission every courtesy. An Interim Report of the European Commission was published by the National Industrial Conference Board in July, 1919. The full report herewith presented gives, in a more extended form, the essential information gathered and the conclusions of the Commission.

The report presents the findings of the European Commission, and not an expression of the official position of the National Industrial Conference Board on the various vital subjects discussed. The Board commends the report to the careful reading of manufacturers and business men in the United States, and of students of industrial problems generally.

The report deals primarily with the fundamental phases of the various problems discussed. At the time the Commission was making its field observations, industrial conditions in the countries visited were in a state of flux and some changes have since occurred. The Commission has endeavored, by correspondence, and by interviews with prominent European industrialists who have visited this country or with American industrialists who have visited Europe subsequent to the survey made by the Commission, to keep advised of the significance of these changes.

The Board desires to express its deep appreciation of the generous sacrifice made by members of the Commission of their time and convenience in order to make this investigation. It would especially acknowledge the valuable services of Dr. Laughlin, who not only carefully outlined the plan of the investigation, but who is largely responsible for the co-ordination of material and the preparation of the report itself. The Board feels that American industry is under a real obligation to the members of the Commission for the services thus rendered.

NOVEMBER 12, 1919.

The National Industrial Conference Board,  
Fifteen Beacon Street,  
Boston, Massachusetts.

*Gentlemen:* We offer to you in this book the results of our observations, interviews, and research on industrial, and particularly on labor, conditions in Great Britain, France, and Italy. The subject is too vast to be dealt with comprehensively or in full detail, but in so far as we have been able to do so, we have given the essence of the situation. Many problems suggested by our investigations must be left undeveloped; many opinions and convictions, which we were not able for lack of time and opportunity fully to demonstrate by facts, must be left unexpressed.

It is our conviction that great new forces have been let loose on the world which will affect every phase of human life, industrial no less than political and social. Great Britain, France, and Italy have been earlier and more deeply influenced by these forces than our own country, and yet the problems on both sides of the sea are in many ways strikingly analogous. We feel, therefore, that it is peculiarly important for American industrialists to know more about these forces in order that they may learn valuable lessons from European experience.

Our industrial institutions are Anglo-Saxon in character; American industry is a transplanted British industry, developed and made unique by the ingenuity, the enterprise, and the daring of our American pioneer spirit. Your Commission has, therefore, given a very large portion of its attention to the labor problems of Great Britain. What we could learn and understand of the temperament and institutions of the Latin peoples in France and Italy, that had an interesting bearing upon the general industrial situation, has been included.

We want to acknowledge here the honor conferred upon us in being chosen for this mission. The results of our labors we shall leave to justify themselves.

It is our desire also to mention the cordial and generous co-operation which we received everywhere. Business men and officials showed us an earnest and sincere desire to help in every way possible. In many cases we have expressed an appreciation personally, but we wish to make this permanent record of it.

Very sincerely yours,

CHARLES W. ASBURY, *Chairman*  
S. PEMBERTON HUTCHINSON  
J. LAURENCE LAUGHLIN  
OLIVER S. LYFORD  
LOYALL A. OSBORNE  
WILLIAM H. VAN DERVOORT



## Itinerary

Your Commission sailed March 1, 1919, and returned May 18, 1919. It visited establishments in the north of England, in Scotland, in Wales, and in the Midlands. About April 1st the Commission went to France and studied conditions in the industries in the neighborhood of Paris, Lille, Douai, Lyons, and Saint-Etienne. Two members of the Commission went to Italy and visited industries in Genoa, Milan, and Turin. In each country high officials and executive managers furnished freely all available information on the points of inquiry, and no difficulty arose in seeing industrial works of all kinds. In general it was attempted to get the point of view of government officials, of employers, and of labor leaders.



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# CHAPTER I

## INTRODUCTION

### § 1. UPHEAVAL OF WAR

It was just at the critical period of readjustment, while the ravages of war were still glaringly evident, while its shadow still darkened the minds of men and while its passions still stirred their hearts, that your Commission arrived in Europe. It was permitted us to observe great peoples struggling back to a normal living basis. Accepted institutions seemed loosened from their old-time moorings; radical ideas were everywhere rife; great untried changes seemed to find almost reckless acceptance. In all of this upheaval of war, your Commission has centered its attention on economic problems, and particularly upon the problem of industry and labor as affecting the relationship of employers and workmen.

In the countries visited it was evident that the economic life of the people had been greatly disturbed by the war. Laborers had been withdrawn from industry to a much greater extent than in America; new laborers, — women, those formerly unemployed, and foreigners, — had been introduced to fill urgent needs; the working of demand and supply in all directions had been interfered with; new machinery and processes had been devised to aid unskilled labor; in many instances labor organizations had for patriotic reasons given up old restrictions on output; production was shifted to the making of munitions and articles needed for war; great changes in industrial organization resulted; governmental control of industry on a vast scale was inevitable; control by Government Boards and price-fixing of most needed articles followed; many new factories were built for war production, and private concerns became “controlled”; shipping was taken over by the State; and foreign trade, both exports and imports, commerce in food and raw materials, especially in coal, became entirely deranged. These and other considerations caused a mighty upheaval in industry.



This industrial unrest was partly psychological, partly social, partly political, and partly economic. It was psychological in so far as it was a nervous reaction from the strain of long hours of labor, the anguish, anxiety, and suffering due to the war, and the more abstract clash of new interests and ideals with old conventions. It was partly social in that labor claimed a new economic position in society. It was tinctured with politics, because the greatly increased strength and unity of labor organizations had caused socialist parties and political leaders inside and outside of the trade unions to seek their support. It was largely economic in that the cost of living was pressing hard upon the workpeople in spite of greatly increased wages. All in all, it was a time of violent readjustment in all phases of life.

## § 2. NEW CONDITIONS

The fighting was some time past when your Commission reached Europe; the problems of reconstruction had already become practical issues. These problems are not only of tremendous importance, but also exceedingly difficult and delicate to handle. The process of reconstruction needs time and wisdom. The long strain of war and of prolonged physical exertion in the shops and offices has led to an inevitable nervous reaction. Irritation now develops on slight provocation. To this have been added difficult economic influences, chief of which has been the rise in cost of living to over 100 per cent of pre-war prices. While members of different social classes have come to value one another more highly through common service in the trenches, yet there was evident a tendency to settle back into the old social conventions. The laboring classes, however, have won new prestige by valiant conduct in the war, and their organizations have increased in membership. Then, too, it was to be expected that political parties would maneuver to secure leadership over an electorate stirred by new issues. In all these countries political forces have played a very large part in the questions of labor and industry.

The Governments were forced by the exigencies of war to deal with large groups rather than with individuals; thus organization among both workers and employers was stimulated. Organized labor, especially in Great Britain, has come out of the war greatly impressed by its

increased political and industrial power. A closer cooperation among all the factors of production was necessitated by a common danger during the war. This was an element of strength which in some cases will continue, but which cannot now be definitely counted upon. Indeed, the rising tide of discontent among the laboring classes has been aided, no doubt, by an international propaganda springing from extreme elements of disorder. New and often extreme demands are being made for nationalization of leading industries and for a larger share of control. With industry crippled by the war, these demands have obviously aggravated what must in any event have been, after so great a disturbance, a very difficult situation.

### § 3. WAR DEBTS

Moreover, the huge war debts and the public credit of European countries touch intimately all industrial conditions. Industry and employment of labor cannot begin effectively unless machinery, equipment, building, and raw materials can be paid for. Indeed matters of public credit seem to lie at the very basis of early reconstruction and the restoration of normal labor conditions.

### § 4. EMPHASIS ON LABOR PROBLEMS

The problem to which your Commission devoted most attention was to find the causes and significance of that great seething unrest among the workpeople of Great Britain, France, and Italy. The major emphasis is upon conditions in Great Britain, because the problems there are obviously most analogous to our own. We found that the most significant aspect of this labor unrest and its fundamental reason was the challenge being thrown down to the present system of industry. Labor is aiming at a vast extension of public ownership and a larger measure of control over the management under which industry is carried on. Through public ownership it anticipates that the economic waste of competition will be eliminated and, together with the profits now realized by individuals, will be made available to the workers in the form of higher wages.

Out of these demands has arisen the present tangled, serious, and complex labor situation in Great Britain, France, and Italy. To the outsider its most prominent

characteristic is the large increase in industrial disturbances. The Shop Steward movement is in part responsible for this in Great Britain. In France, the General Confederation of Labor, with its local and district organizations, has become greatly active since the armistice. In Italy, although only a small per cent of the laborers are organized, these are dominated by extremists. Here, too, as is true to a less extent in France, the problem is a general social one and is not at all confined to industrial questions.

Statistics of disputes show that the year 1918 was one of great industrial disturbance, most of the demands being for advances in wages. The first five months of the present year, however, have been very much more unsettled. A comparison in Great Britain between the first five months of 1918 and the same period in 1919 shows that disputes have been 25 per cent more numerous, the number of work-people involved more than three times greater and the working days lost more than four times greater. Most of these troubles have been in coal mining, the engineering and the shipbuilding trades. In France and Italy the strike curve has the same tendency.

#### § 5. CAUSES OF DISCONTENT

It was obvious that there was a widespread discontent among the workers in all industries and in all countries. Discontent in itself may not be a sign of danger; on the contrary, it may be a healthy sign of progress, morally and materially, towards a higher standard. With such an attitude of mind there may be general sympathy. In the present difficult conditions of reconstruction, however, the inevitable discontent has been magnified by a propaganda carried on by extreme elements opposed to the proper conduct of orderly government. The British Minister of Labour, Sir Robert Horne, explained that:

The industrial unrest was due, among many things, mainly to the following causes: the long strain of the war; the nervous effect produced by the extreme industrial efforts of the nation; the disturbance of normal economic life; the rise in the cost of living; and, in a certain measure, an absorption into English thinking of the revolutionary movements of Europe.

The cause undoubtedly having the most practical import is the high cost of living, due not only to a scarcity produced by the emergencies of war, but to the high rates of wages which have in turn added to the costs of production. In addition, there must be considered the effects of the depreciation of the monetary standard following the giving up of the gold standard, which inevitably caused higher prices. In Great Britain, during past decades, British industry gave little or no attention to the drab and distressing conditions of life surrounding the workmen. While commercial supremacy seemed fairly assured, little attention was paid to what the employer ought to have done by way of anticipating the grievances of labor. As a consequence, unionism and labor agitation have been growing apace. A fertile soil in which such an agitation could grow existed even before 1914. After the upheaval of the war the situation naturally furnished opportunity for the work of the extreme radicals. Discontent was fanned into a movement urging a radical modification of the existing capitalistic system and even of the structure of government. Certain socialistic elements propose to satisfy social unrest merely on a materialistic basis; that is, to solve social ills primarily by the offer of larger material rewards. Such a policy does not aim to supply the moral and educational forces necessary to a higher standard of living.

Similar influences have wrought similar changes in France and Italy. French industry has never reached the development that is characteristic of the British, but in those districts in the northeastern section of the country where conditions are somewhat comparable, the same tendency is revealed. Furthermore, differences in temperament and in attitude of mind have manifested themselves differently. This is likewise true of Italy. The Latin peoples have reacted more quickly and more violently to radical teachings, but they do not show the steadfast adherence or the steadily accumulating force behind them that may be seen in Great Britain.

## § 6. THE MODERATE AND RADICAL ATTITUDES CONTRASTED

Two different states of mind must be recognized in the labor world of Great Britain. On the one hand there is the large body of workers imbued with a respect for law

and order, who, while endeavoring to improve their material position, are not greatly influenced by radical appeals to violence or against existing forms of property, and who have a respect for a lawful government. On the other hand there has risen a radical, even revolutionary point of view which threatens not only the peaceful order of society but aims in its extreme form at a domination of the industrial system and an overthrow of orderly government. But radical views have permeated all classes of labor. All these radical views aim at nationalization of essential industries, at "democratic" control, i.e., by the workers themselves, of industry, and a "democratic" use, i.e., for the workers themselves, of the powers of the state. Moreover, there is probably a common agreement among the majority of organized workmen in regard to heavy inheritance taxation and the expropriation of large landed wealth.

The great difference of attitude arises in regard to methods of action and to speed in attaining their ends. Some would rely on industrial action alone, that is on a policy of force; some would continue political and industrial action separately; some would use industrial in support of political action. British alliances and federations, however, as explained by the union labor leaders themselves, claim their organizations will be a means of avoiding violent action. They aim at control over their members so that unauthorized strikes will be impossible. The unauthorized strike, they believe, will be unnecessary. The more radical, however, feel that the rising forces of "democracy" are on their side and that the present capitalistic system is doomed. With some elements employers obviously can expect to make reasonable adjustments if both sides come together. With the radical element it must at once be admitted that even reasonable proposals are not likely to bring about permanent adjustments, inasmuch as their ultimate object is the control of industry, nationalization and dominance over the state. No grant of intermediate concessions will stop their ultimate demands.

The labor movement in France is strongly dominated by radical leaders, who believe in revolutionary syndicalism. While they have taken over in large part the doctrine of the Socialists, i.e., to destroy private ownership of all means of production, these leaders find the Socialists too conservative in their attitude toward the



existing industrial and political systems. The present distressful situation of France, financial, industrial, political, gives opportunity for the radicals to foment trouble.

In Italy the same forces are at work, and it is felt by your Commission that Italian industry will inevitably drift into the same position as that of British industry if the workers of Italy become fully organized, so that the radicals can wield a stronger influence.

## § 7. COLLECTIVE BARGAINING

The Commission found that out of the confusion of voices discussing the critical industrial problems there were certain catch phrases or slogans that ran from lip to lip. These phrases were general and vague in character and naturally received radically different interpretations by the people using them. It is our judgment that such vague phrases may become dangerous through their misuse and through a lack of understanding of their economic portent. So important is this point that particular attention is here called to certain of them.

“Whether the phrase ‘collective bargaining’ will ever become established in common use in the United States is perhaps doubtful,” said a report prepared for the Industrial Commission in 1901. Today one can scarcely open a newspaper without running across the expression. But, unfortunately, although in common use, the term has an ambiguous meaning. It thus comes about that a labor dispute may hinge upon the definition of this term. Certain workmen may strike for “the right of collective bargaining”; the employers concerned may assert that they have offered collective bargaining and the offer has been rejected. Thereupon, the workmen announce to the public that what was offered and refused was not collective bargaining at all.

It is significant that workmen seem to count upon the sympathy of the public in making demands for collective bargaining. The phrase has become one to conjure with: “the right to bargain collectively” has largely supplanted the phrase “the right to organize,” as the name for the main issue of attack and defense with the non-socialistic labor movement.

The ambiguity of the phrase "collective bargaining" arises from the fact that very largely it is a holdover from a bygone controversy; the idea now embodied in the words has outgrown the literal meaning of those words. The formula "collective bargaining" was originally coined to express the antithesis of "individual bargaining," and that it did aptly enough. The formula won its way to general use by the public, because economists and others maintained that in conducting "individual bargaining" under modern conditions the workman was at a disadvantage. The reasons for this alleged disadvantage one may find in any textbook on economics. Translated into common speech, the phrase "collective bargaining" now means to the general public the equalization of bargaining conditions between capital and labor; the securing of the "square deal" for the employee under modern conditions where the employer is often a huge corporation. To labor bidding for public support in its militant operations the value of the term "collective bargaining," with such a popular construction put upon it, is obvious.

At the present day, however, the expression "collective bargaining" is very largely a misnomer for the thing being disputed by employers and workers. A more accurate expression for the real subject of contention is "representative bargaining." Many employers in the United States and Great Britain today, outside the sweated industries, do not insist, as a matter of principle, that they shall make arrangements with respect to employment solely with each individual worker. They are willing that the workers shall present united demands, that there shall be debate, publicity, and a group-wise determination of the conditions of employment, — *provided a good deal more does not go along with that*. The general public has no conception of what that "good deal more" is or may become. Very few people other than employers and workingmen understand what has been called "the implications of collective bargaining." But chief among these "implications" is representation.

Whenever a group of workers bargains as a group with the employer or his agent it has to be, except under the most primitive conditions, negotiation conducted on the side of labor by representatives of the workers. In these days when a plant may have thousands of workers, it would suit neither the employer nor the employees to have



intricate business dealings conducted in a sort of works town-meeting. The essence of fully developed group bargaining is, therefore, *representation*.

Here comes the rub and the up-to-date dispute. Who shall be the representative of the collective body of workers? Many employers insist that he shall be a person in their employ, not an outsider. The organized employees quite generally demand that he shall be an outsider, or, as they express it in more general terms, "a representative of their own choosing."

This is not the place to go into the merits of this question but certainly it is important for every one to keep clearly in mind the full meaning of the terms employed. To the unionist in general "collective bargaining" means group bargaining *plus* the intervention of the outsider. Some employers also accept this; but others hold that collective bargaining means group bargaining confined to their own workpeople with no intervention of an outsider. That is, there may be collective bargaining in a non-union shop.

#### § 8. "LABOR NOT TO BE TREATED AS MERCHANDISE"

In this country, as well as abroad, there frequently appears in the literature of labor unions the claim that labor should not be treated, or valued, as a commodity. As good a statement of this claim as any may be taken from J. H. Thomas, the head of the National Union of Railwaymen in Great Britain:<sup>1</sup>

"They [the workers] are dissatisfied with the system of society which treats their labour power as a mere commodity to be bought, sold, and used as though they were machine-like units in the process of wealth production, and they therefore demand that they shall become real partners in industry, jointly sharing in the determination of working conditions and of management."

In the United States this expression first came into prominence in the Clayton Act of 1914. There as the first sentence of Section 6 we read, — "that the labor of a human being is not a commodity or article of commerce."

The bearing of the expression as here used is wholly legal; it is designed (as a part of the whole enactment) to

<sup>1</sup>At National Industrial Conference, London, February 27, 1919.

amend the Sherman Anti-Trust Act so that labor organizations or their activities cannot be held by the courts to be illegal under that act. This section then goes on to say immediately following the foregoing introductory sentence: "Nothing contained in the anti-trust laws shall be construed to forbid the existence or operation of labor . . . organizations, . . . nor shall such organizations, or members thereof, be construed to be illegal combinations or conspiracies in restraint of trade under the anti-trust laws." The intent of the words that labor "is not a commodity," as here used, is clearly to exclude labor, as connected with its organized activities, from the category of the things which constitute "trade" or "commerce," which last is the subject-matter of anti-trust laws. "Trade" or "commerce" consists in dealings in commodities; hence, if the rule stands that labor is not a commodity, it would be difficult to hold that a labor union was a monopolistic combination in restraint of trade.

This phrase has since been heard on the lips of thousands and it is important to inquire just what is meant by it. We find it stated by a certain writer that "the conception of labor as a mere commodity must yield to that of the individual laborer as a human personality." And, again, a certain labor organization demands that the "working class" shall not have a "commodity status." Finally, the doctrine has been recently embodied in the form of a bill of rights as a portion of the Peace Treaty formulated by the Commissioners on International Labor Legislation. There we read: "The High Contracting Parties declare their acceptance of the following principles . . . :

"1. In right and in fact the labor of a human being should not be treated as merchandise or an article of commerce."

As first drafted, it read that "labor should not be regarded merely as a commodity or article of commerce."

It is obvious that we have here a doctrine that has outgrown a local application to the particular law of a certain country and has become a principle of labor conditions with an international range of application. Furthermore, it is to be observed that there is ambiguity as to what that principle is. Notwithstanding the apparent simplicity and directness of the terms employed ("the labor of a human being should not be treated as

merchandise") there is a double meaning involved, — the meaning of propaganda and the meaning of use.

The meaning of propaganda attaches to the laborer himself as a human being. The unsophisticated citizen gives ready and uncritical assent to the doctrine so understood. "Of course," he says, "there should be no such treatment of labor as would follow from regarding labor as merchandise. If laborers were literally treated as merchandise, that would involve a reintroduction of chattel slavery." The average man thinks it well to promulgate to the world that any and all forms of helotage (modified slavery) should be a thing of the past.

But with labor leaders and their associates "the meaning of use" in this formula attaches to "labor" in the sense of labor power, — not to the laborer himself, but to the thing he sells. It is intended to establish the principle that labor power is not to have its value or worth established in the same fashion as obtains with ordinary commodities or articles of commerce. The price of such things is determined by supply and demand; the price of labor power, or wages, should be otherwise determined. This is the practical application of the international doctrine. Labor, in the sense of labor power, is to be exempted, more or less, from the working of the natural law of supply and demand.

Here a distinction is to be drawn between those who would have this exemption "less" and those who would have it "more." The conservatives intend that the doctrine that the wage of labor is not determined in the same way as the price of other things bought and sold (that it is partially exempt from the law of supply and demand) shall carry with it little more than the implications of collective bargaining. They mean that the standard or customary wage shall be maintained — that there shall not be individual bargaining and unregulated competition with respect to labor. The exigencies of the particular workman of any class or grade shall be ruled out; he shall not take less than the standard wage because he is hard up. The exigencies of the particular employer shall be ruled out; he shall not offer less than the standard wage because he is hard up. Finally, the exigency of a general state of trade shall be in great measure ruled out; the employers in general shall not offer lower wages than the standard because business in general is depressed.

It is this last contingency, probably, that conservative union spokesmen especially have in mind. They regard it as highly important that in dull times they shall not suffer a reduction of wages. But it is just at such times that employers urging a reduced scale of wages insist most on the sanction of the law of supply and demand. The conservative labor men do not believe in the utmost dependence on the market for labor in good times. They believe in standardized and fairly stable wages or scales of prices for labor power, to be maintained in bad times as well as good as the basis of a standard of living. This view does not by any means wholly reject the law of supply and demand. It is simply the view that labor power is a unique commodity (as being attached to a human being) which should not, therefore, be governed as regards its price by cut-throat competition or the unregulated sway of the law of supply and demand such as would obtain under individual bargaining.

The radical labor men, on the other hand, cut loose from the basis of the law of supply and demand entirely. To them the application of the doctrine that labor is not a commodity means that wages of labor shall be determined, not by any fundamental reference to the demand for and supply of labor, but by the needs or wants of labor. When workmen, or their spokesmen, demand that wages shall be fixed according to the needs of those who furnish labor power, consideration of the amount of and demand for the product is excluded; consideration of the amount of profits of the employer is excluded. We have no longer a "higgling" of the labor market, no longer a dispute for a division of gains between the employer and employees; we have simply each group of laborers as representing its own interests trying to collect from all the rest of society. For the fundamental evaluation of the market, the general appraisal of worthwhileness by society, as a determiner of wages, is substituted a *fiat* wage with no other sanction than "we need the money."

The mere fact that a thing serves a human need does not give it value. It must always have scarcity. Whenever anything is unlimited in quantity it has no value and no price. The recognition of scarcity as a force directly affecting labor, as well as everything else, has been the very basis on which trade unions are formed; they are organized to raise wages by limiting the supply

of workers in a given place and industry. Opposition by unions to strike-breakers or non-unionists is a fear of the working of the law of supply and demand. Moreover, the higher wages for skilled, as contrasted with unskilled, workers is due to the element of scarcity, or monopoly, enjoyed by those who possess skill. The principle of scarcity can dominate the influence of utility or the capacity to render a satisfaction or a service. That is, if skilled machinists were as numerous as ditch-diggers they could get no more than the latter.

The extreme and radical interpretations emerging from the doctrine that labor is not a commodity make their rapid way into the minds of men to whose interest it is so to interpret it. If those who establish that doctrine had only in mind the regularization of supply and demand that goes along with collective bargaining, then it is a fresh illustration of the danger of launching principles that are "too big for their purpose."

#### § 9. NATIONALIZATION OF INDUSTRY

Another of the various modern catch phrases which need elucidation is that of "nationalization" of industry. It presents itself today in three distinct aspects.

First: There is a demand by various classes of citizens actuated by various motives to continue in whole or in part "the wartime control of industry," — that is, that greatly extended system of "governmental regulation" of capitalistic business which came into being with the economic exigencies of the prosecution of the war.

Second: There is the proposal by citizens desiring a radical economic change, that the National Government as now constituted shall acquire ownership outright of at least the more important industries and operate them by its own agents in the public interest. This is a demand for state socialism or collectivism — "government ownership and operation," as it has been called.

Third: There is the demand by the members of a certain economic class of society desiring radical economic and governmental changes, that the National Government as presently to be largely reconstructed shall take possession of at least the more important industries and operate them, not by its accustomed agents, but by



associations of the workers in those industries. This proposal of "ownership by the state and management by the workers" may be designated syndicalism, or sovietism, or guild socialism in contrast to state socialism or old-style governmental collectivism.

With the war came a change of degree of governmental regulation of industry. Not merely industries "affected with a public interest," according to established precedents, but virtually all industries were taken under government "control" of the most rigorous sort. Interference extended far beyond "raising the plane of competition," as was done, for example, in the so-called factory legislation antedating the war. The immediate object of the new, all-embracing "control" was not so much to correct the defects of competition as temporarily to provide a substitute for competition. There was a runaway market in every line; for the time being the natural laws of supply and demand got utterly out of hand; there were burdens on industry and finance too heavy to be carried in ordinary ways; hence, the improvisation of an elaborate governmental "harness" to distribute burdens, to organize forces, to direct production and win the war. There was no philosophical bias or class motive in all this. All sorts of citizens, simply as citizens, supported their mixed-class governments in inaugurating this temporary quasi-socialization of industry for war purposes.

Following the war comes the question whether this war-created harness of control shall be continued or not, or rather for what purpose it shall be continued. In some quarters it is demanded that it shall be continued for a limited term as a mere measure of necessity to meet the practical and immediate difficulties of readjustment. There are acute problems of distribution of materials, for example, which occasion demands by ordinary citizens that "shipping control" shall be retained in the public interest. Again, the ordinary citizen smarting under the high cost of living is prone to cry out against "profiteers" and to demand either price fixing or wage awards or both.

In this matter the motive is everything. For mixed classes of citizens to advocate continuation of governmental control of shipping to meet the exigencies of reconstruction is a very different thing from a single class demanding

it with the view to permanently destroying private enterprise. It is one thing for a member of a labor organization to demand a governmental award of wages because he wants more money with which to pay his bills at present prices; it is another thing for him to demand it in order to establish the new doctrine that labor is not a commodity; that is, that wages are not to be determined by supply and demand.

Nationalization, in the sense now before us, means a permanent policy of continuing the wartime practices of control for the purpose of displacing the pre-existing practices. The British Labour Party has declared its belief that the war resulted in the "collapse of a distinct industrial civilization" which should not be restored; it looks forward to "the progressive elimination from the control of industry of the private capitalist." Therefore it demands the retaining and the developing, after the war, of "the present system of organizing, controlling, and auditing the processes, the profits, and prices of capitalistic industry."<sup>1</sup> Hold fast all the ground that has been won from the capitalist during the war, is the idea of this first phase of nationalization.

The second phase of nationalization is the familiar "Marxian" or state socialism. This idea differs from the "control" sort of nationalization just discussed, which was shown to be a hybrid system of private ownership with quasi-governmental management, picturesquely characterized in the House of Commons recently as "socialism of the most muddled variety."

Traditional state socialism, in contrast, is a clean-cut legal proposition, — the state owns and the state manages and the state has full undivided responsibility. It is to be noted that state socialism is not altogether a "class-conscious" workingman movement; that is, the movement for a conscious antagonism between the interests of employers and workmen. It is to be emphasized, further, that state socialism of the traditional sort, that is, the proposal of government ownership and government management of industry, has lost ground heavily during the war. This has taken place both with ordinary citizens and with workingmen as a "class-conscious" group.

<sup>1</sup>"Labour and the New Social Order." Pamphlet of British Labour Party, p. 12.

In England the working people had a most bitter wartime experience with the Government as a manager or employer once removed: the memory of the Munition Tribunals, of broken promises and exasperating delays, is still vivid. The workingmen of Great Britain, France, and Italy are in exceedingly bad humor with "red tape" and "bureaucracy." Most laboring men have decidedly cooled toward socialism and probably would prefer a private employer to the Government as an employer.

Why, then, it will be asked, if this is so, do the workingmen agitate for nationalization of the coal mines and of the railroads in England? The answer is that they do not propose to have the Government, *as we have known it in the past*, own these enterprises and act as employers. They wish neither private nor governmental employers. The threatened strikes to enforce a new departure with respect to the English mines and railroads are *not* for the purpose of bringing in socialism as that term has been understood *in the past*. A wholly new scheme is in process of incubation.

This introduces us to the third and dominant phase of nationalization in its present-day manifestations. Old style socialism is not wholly dead, but it is pretty well sidetracked as a live issue by this new movement. The third phase of nationalization of industry, properly called "syndicalism" in English, can be considered in two aspects: (1) what it purports to be, and (2) what it really is. It purports to be government ownership with a mixed management—the general public and the workers both represented in the management.

But the sharing of the management with the public is only temporary; the ultimate aim is to have the workers in each nationalized industry the sole managers of that industry. And the fiction of government ownership will not long survive this concentration of the power of management in the hands of the workers. Whoever really manages will really own. What the scheme actually amounts to in its economic aspect is to fully transfer industry from the hands of the present owners to the hands of the workers. The capitalistic system disappears. The Government at most plays the rôle of a sort of sleeping partner or rich uncle to finance the deal. First and last, the thing is to be so managed that the worker will not be under any *bourgeois* government. The projectors of the scheme are determined about that.



The new style nationalized industry is next going to be used to transform the government. This is to be done partly by using the economic power of the industry (carefully chosen as a so-called basic industry — mines, railroads, shipping) to coerce the state, and partly by means of a new plan of voting which fundamentally alters the basis of the state. Under the new economic order citizens are to vote by and in the industries to which they belong, not by and in the geographical areas where they reside. This arrangement will enable the working class to swamp all other classes, and we shall then have a complete working-class government. That is what “syndicalism” means — a society organized by industries and the workers controlling in each industry.

#### § 10. DEMOCRATIZATION OF INDUSTRY

Another popular phrase is “industrial democracy,” or the “democratization of industry.” This phrase rests upon a presumed analogy between the organization of a political state and the organization of the modern industrial system. It is often said that, just as men have secured political democracy, so now there must be granted to them industrial democracy. Political democracy has meant, on the whole, equal suffrage in a broad sense, and is coming to mean universal equal suffrage, within certain age, intellectual and moral limits. It presumes the right of every man to speak, act, think, and vote as he pleases, always with certain social restrictions.

Something of this sort is contemplated for industry; there is to be some kind of liberty, equality, and fraternity in the workshop and office. Just as men are said, politically, to be born free and equal, so, industrially, men are to become free and equal.

The unrest in the industrial world today has not its roots solely in poverty and want. There is something deeper still at work. Wage-earners are filled with a vague but profound sentiment that the industrial system, as it now is, denies them the liberties, opportunities, and responsibility of free men.<sup>1</sup>

This phrase, like every other of its ilk, absorbs its coloring from the mind of the one who interprets it. The conservative mind probably restricts the meaning

<sup>1</sup>*Round Table*, June, 1916.

to a more cordial, direct relation between employer and employee, where the employer has regard for the fact that his workmen are men and have a right to fair dealing, to the necessaries and a fair share of the comforts of life, to a "fair wage." Another attitude of mind would probably endorse the principle of collective bargaining, of a minimum wage, of carefully directed welfare work, of the right for labor to organize and to strike. But so far the industrial and political system of today remains intact.

The radical interpretation will go much further than this. It will declare that democracy in industry means an equal voice in the management of industry. It will run out in many directions; into the guildsman's idea of a new industrial framework; into the socialist's state ownership and control of the means of production; into the syndicalist's idea of total annihilation of the state; into a destruction of the wage system, the rights of private property, the capitalistic system; into the war of classes between *bourgeoisie* and the proletariat.

The subtle danger in such a phrase is the fact that it runs through all of these gradations of meaning without change in outward form. And, unfortunately, the user, whoever he may be, is likely to be cited as endorsing the most radical interpretation. Furthermore, it enables the use of such a phrase to be "all things to all men"; a conservative among conservatives, a radical among radicals.

Your Commission feels that such Protean phrases let loose upon the world, especially at this time of violent agitation, of widespread discontent, both industrial and political, are particularly dangerous and demand cool and careful analysis. The facts given in the following chapters will demonstrate this conclusion and will clearly justify the emphasis placed upon it here.

## § 11. ORGANIZATION OF MATERIAL

The material secured by your Commission through interviews and research has been organized under certain definite topics. It is proposed to touch upon some general phases of productive efficiency in Great Britain, France, and Italy, again with special emphasis upon the situation in Great Britain. A special treat-

ment is given of management as a factor in production, stating compactly the economic principles involved, which have not been sufficiently recognized in present day discussions of the labor problems. The labor problems themselves, which form the main theme of discussion, and which involve the great bulk of the material, are discussed topically: to show, first, the labor union program abroad; second, the character and extent of organization among employees and employers; third, the special significance of the development of the Shop-Steward movement and of Works Committees; then, to discuss the eight-hour day, the minimum wage, unemployment; later, to point out the political elements permeating the labor problem; lastly, to trace the movement for nationalization of industry and the effect of recent industrial and social activity upon property rights.

## CHAPTER II

### EFFICIENCY OF PRODUCTION

#### § 1. DEPENDENCE OF THE PRODUCER ON EFFICIENCY

Each manufacturer is concerned directly with the relation of his outlay to his production. In all competitive industries this margin of difference between outlay and product is vital to continuance in business. Given a rising total cost, — whether due to increasing prices of materials, labor, taxes, or what not, — his own possibility of continuing in production lies in his ability to enlarge his output (that is, to increase the number of units of goods produced by a given quantum of labor and capital) or to raise the selling price to the consumer of each unit of product. In the latter case the purchaser (in other words, the public) will have to pay the added cost. If, therefore, producers in other countries should become as efficient as American producers, and if prices are limited by conditions in international markets, as they surely must be, American manufacturers paying the higher labor rates would be forced out of the competitive field.

#### § 2. RELATIVE COSTS IN AMERICA AND GREAT BRITAIN

Early in our investigations the question of efficiency of production presented itself. Everywhere, especially in Great Britain, there was expressed a fear of American competition, based on the belief that the war had greatly increased the burdens on European industry from which our country was largely free. But even before the war our superiority in relative costs had become apparent in certain lines of manufacture. This relative European disadvantage seems to be mainly due to inferior manufacturing methods and organization. Although America owes much to large scale production, good manufacturing methods, and superior factory organization, such conditions, of course, do not obtain in all industries to the advantage of her producers. On these matters, however, it is of first importance to American producers

that they get all available knowledge regarding the efficiency of production in other countries.

### § 3. RESTRICTION ON OUTPUT

In Great Britain, having a surplus of labor, a system of restricting output had grown up previous to the war. It was generally understood that "ca'canny" methods were in existence in many British industries. It was often stated that the policy of the employers in reducing the piecework rate when wages rose to a high level was the reason why some unions in self-defense adopted the principle of restriction of output. In the relative order of their importance, the leading reasons for restriction of output by British trade unions are the following: fear of rate-cutting by the employer, dread of unemployment, the desire to protect inferior workers, the wish to safeguard health, and the natural human disinclination to strenuous labor. In regard to restriction of output in connection with the war, certain unexpected results happened. Under the stimulus of war conditions, the introduction of improved machinery and the speeding up of operations, it became clear to every one that labor effort before the war had not been at its highest efficiency.

There is, in France, a very different attitude toward this matter of increased output. French employers told the Commission that before the war there had been some adherence to the "make-work" theory, but that now this seemed to be rapidly passing away. The laborers of France appear to realize that a greatly increased productive power is necessary for the country to recover from the ravages of war and to carry the heavy financial burdens imposed by it. A very important element in this difference in attitude is the realization that France has a distressing labor shortage. Workmen may not now be secured so easily from Italy and Belgium as formerly. There is, consequently, not the fear of unemployment among French workmen, nor is there the network of restrictions in French workshops as in British. There has been in France, however, a strong movement for the "English week," that is, a week beginning Monday morning and ending at noon on Saturday, without reduction in wages. French industry, also, is now working under a law establishing the principle of an eight-hour day, but with the promise by labor to equal in this



shorter work time the output of the longer nine or ten hour day.

In Italy, where there is a surplus of labor, as in Great Britain, the workmen are not sufficiently organized to establish restrictions upon output. It must be remembered, too, that Italy, like France, is largely an agricultural country, and Italian industry has not developed the intensity of the British.

#### § 4. THE NETWORK OF RESTRICTIONS

In the period before the war the British labor unions had established a complex system of restrictions on output. Just what is meant by the "network of restrictions" is described as follows by a competent authority:

This network of rules and agreements, usages and customs, was more extensive than is usually realized. It covered different points in different trades, and often in different districts of the same trade. Taking the network as a whole, and at its widest, it embraced not only the standard rates of wages and the length of the normal working-day, together with the arrangements for overtime, night work, Sunday duty, mealtimes, and holidays, but also the exact classes of operatives (apprenticed or skilled, semi-skilled or unskilled, laborers or women) to be engaged or not to be engaged for various kinds of work, upon particular processes, or with different types of machine; whether nonunionists should be employed at all; what processes should be employed for particular tasks; what machines should be used for particular jobs; how the machines should be placed in relation to each other, and the speed at which they should be worked; whether one operative should complete a whole job, or attend to only one machine, or form part of a team of specialized operatives each doing a different process. What wages, if any, should be paid in the intervals between jobs or whilst waiting for material, and what notice of termination of engagement should be given; whether boys or girls or young persons should be employed at all, or in what processes or with what machines, or in what proportion to the adult workmen; whether the remuneration should be by time or by the piece and under what conditions, at what rates and with what allowances; and — perhaps where it prevailed most severely criticized of all, but by no means universally existing — what amount of output by each operative should be considered a fair day's work, not to be considerably exceeded under penalty of the serious displeasure of the workshop.<sup>1</sup>

<sup>1</sup>Webb: "The Restoration of Trade Union Conditions," Nisbet & Co., London, 1917, pp. 9-12.

It has been generally supposed that all of these restrictions were removed during the first year of the war at the request of the Government. In actual fact by no means all of these restrictions were given up. Those which were removed other than those affecting hours and wages concerned chiefly the employment of women and unskilled persons in munition works.

It must be remembered that by no means the whole of the network has been given up; . . . the Federation . . . was to get complete freedom for each employer to "dilute" labor by setting one or two skilled mechanics to help and direct a score of less skilled workers; to break up the jobs so as to bring them within the capacity of semi-skilled workers; to introduce automatic machinery and engage non-unionists and unapprenticed men, laborers, and women; to work, if need be, an unlimited number of hours seven days a week, without regard for Factory Acts or holidays; to substitute for the standard time rates whatever piecework or bonus systems they found convenient; and, above all, so to speed up the machinery and abrogate all customary limitations on individual output as to get the very maximum of production.<sup>1</sup>

The evidence offered by manufacturers does not indicate that trade union restrictions, except as affecting women and unskilled labor, were removed during the war or are at present inoperative. Many specific instances point to this conclusion. In this connection we may quote the statement of the President of the British Iron and Steel Institute published during the last year of the war:<sup>2</sup>

When it was found that the demands of the Government for a greatly accelerated production of shells required the employment of girls in the projectile factory, owing to the scarcity of skilled workers, these girls in all cases produced more than double that by thoroughly trained mechanics—members of trade unions—working the same machines under the same conditions.

In the turning of the shell body the actual output by girls with the same machines, and working under exactly the same conditions and for an equal number of hours, was quite double that by trained mechanics. In the boring of shells the output was also quite double, and in the curving, waving, and finishing of shell cases quite 120 per cent more than that of experienced mechanics.

<sup>1</sup>Webb: "The Restoration of Trade Union Conditions," Nisbet & Co., London, 1917, pp. 16, 17.

<sup>2</sup>National Industrial Conference Board, Research Report No. 8, "Wartime Employment of Women in the Metal Trades," July, 1918, p. 36.

In an establishment where skillful handling of the men tended to secure maximum production, two instances of restriction were nevertheless quoted. In a certain department the earnings per week uniformly averaged 25 per cent above the timework basis. This 25 per cent was the standard calculation for the difference between piecework and timework. An official of the company was suspicious of this uniformity. After explaining to the men that he must get at the real cost of the operation, he boldly announced that he would cut the piece price 25 per cent. Upon their objecting, he offered the men "anything you like to make for a year." Within a fortnight some men were earning 60 per cent above their former money.

This official said that trade unions in many cases did restrict output, but he cited no actual examples. He said the workers associated increased production with increased strain and in many cases felt it was better to earn a reasonable wage with less wear and tear than to go on piecework with high earnings.

One of the large establishments formerly worked overtime systematically, paying time and a quarter for such overtime. The Works Manager carefully studied the situation and came to the conclusion that the same amount of work could be accomplished without any overtime. With the consent of the management, he put an end to overtime work and within two weeks they found that the men were doing as much in nine hours as they formerly did in eleven, and actually turned out more work, so that the men made more money and the company got more product without any overtime.

In the works of a large company doing machining of shafts for electric generators, the work was done on the piecework system — the men being guaranteed their time rate — and the setting of the piecework price was based on a very low average output per hour per man. The jobs themselves were of a type lasting from three days to one week. Both unionists and non-unionists were employed in the shop. The unionists were only permitted by their trade union to earn one and one-quarter time and, when they were found to be earning one and one-half time they were privately warned by the shop stewards to slow down. The non-unionists were invariably in the habit of earning one and one-half time and more. Unionists in many cases were found to be earning only three-quarter time. However, a fairly rigid discipline was maintained; and, when they were found to be



behind unit time they were warned, and finally discharged. The description of the works managers (probably a personal and prejudiced one) of the union employees was that they were the "scum" and they looked upon the non-union workmen as the pick of the men. He never knew of any case of a unionist, after being warned against maintaining too high an output, rebelling against the orders of the shop steward. He stated that if the workman had disobeyed he would have been brought up before his union and fined anything from five shillings to a pound.

The works manager of another company stated that the trade unions generally demanded that their members should not earn more than one and one-third time. This he attributed to the fear that piece-rates would be cut if earnings were too high, and to the desire to "create" employment for fellow workers. This restriction of output was not, so far as he knew, formulated in black and white, but any man who disobeyed the shop steward's orders in this regard would undoubtedly be "branched" at his trade union meeting; contrary to opinion in the company previously referred to, he did not think an actual fine would be imposed. His conviction was that previous to the war the men were producing not more than one-half and possibly only one-third their possible output. He also stated that he found much more restriction in connection with big and heavy manufacture than in the making of small stuff, and evidently felt that the fear of unemployment had much to do with it. As his firm had 2,000 male and 1,000 female employees it is possible that the employment of women was a factor in the absence of restriction on light work.

The experience of a Scotch establishment is another illustration of restriction of output. Four new brass finishing lathes were about to be installed in the main part of the factory when one of the workmen quietly told the foreman that if they would install those machines on the top floor away from the rest of the shop and allow him to pick out a few men to operate them, he would double the customary output. The foreman accepted the suggestion, the machines were installed by themselves, the workman selected three other men, and the production on those machines immediately went up to almost three times that in the main body of the shop. This showed what restriction had actually been carried on in the plant and what the workmen could produce if they gave their best efforts. In this case the piece-rate was retained and these men earned very large wages. The superintendent of this establishment stated that union officials do not urge the workers to try to increase the output in shorter work hours, in spite of their promises to increase production, and it is obvious that they themselves do not expect this result.

The officials in one of the best equipped collieries in South Wales, while they would not say so directly, apparently believed in spite of what union leaders say about increased production, that the men are silently but firmly working against all labor-saving devices. Where coal conveyers, machines for cutting, and so on, have been introduced, something is always happening to them.

On the other hand, at a meeting with several manufacturers one man claimed that the English workman did not have the mentality or physical ability to handle some of the American machine tools. For instance, Ingersoll-Rand drills, which operate very successfully in America in quarry work, were a failure when handled by an English workman in England. This hindrance to efficiency, if it exists, may be partially compensated for by more careful workmanship. In the manufacture of munitions, it was pointed out, in practically all cases of feed and speed, speed of operation is very much below United States and Canadian practice. Nevertheless, British shops manage to turn out every week an output in quality and quantity which seems to average equal to our good shops. Repairs and rejections to scrap are less than in the United States. The ample floor space required by the factory laws — approximately 50 per cent more than usual in the United States — also helps to account for the satisfactory quality of the output, as it contributes to efficient management.

The undeniable increase of production during the war, it is clear, cannot be due solely to the withdrawal of the union restrictions. In addition, there was an introduction of new and effective elements of management, such as large scale production, standardization of operations, and the bringing in of new machinery by which repetitive processes could be carried on by hitherto unskilled persons. Consequently, a sweeping transformation occurred in the organization of British industry. New processes and new classes of labor were introduced.

[British industry has learned] the lesson of the economic advantage of a large output, of production for a continuous demand, of standardization and long runs, of the use of automatic machinery for separate production of each component part, of team-work and specialization among the operatives, of universalizing piecework speed, and of not grudging to the workers the larger earnings brought by piecework effort. We do not think it is any exaggeration to say that the 15,000 or 20,000 establishments, large or small, in every conceivable industry, with which the Ministry of Munitions, the Board of Trade, the War Trade Department, and the Admiralty have been in touch, are now turning out, on an

average, more than twice the product per operative employed than they did before the war, whilst, assuming the same standard rates of wages, grade by grade, the labor cost works out considerably lower than under the old system.<sup>1</sup>

The modification, however, in the whole character of industry by these changes had not been anticipated.

Under the continued incitement and pressure of the Ministry of Munitions, the employers in all the industries supplying the thousand and one different things that the Government required gradually transformed their factories and workshops, not only as regards buildings and machinery, but also as regards the hours of labor, mealtimes, overtime, and holidays; the methods and rates of remuneration; the conditions of engagement, suspension, and dismissal; the disciplinary code, with its fines and other penalties; the relation of the operatives to the machines and of the various grades and classes of operatives to each other; and, above all, as regards the grades, classes, ages, trades, and sex of the operatives employed.<sup>1</sup>

. . . It is suggested that no such sweeping transformation in the organization of British industry — a transformation occurring not in any one trade only, but simultaneously in nearly all branches of manufacture — has taken place since what is known as the Industrial Revolution of 1780-1825.<sup>2</sup>

. . . They have not been restricted to the "Controlled Establishments," now nearing 5,000 in number; nor to those other thousands to whom some of the provisions of the Munitions Acts limiting the freedom of labor have been applied by official order; nor yet to the innumerable other firms employed on "war work." Nor has their operation been confined to the orders of the British Government or its Allies. There is scarcely a branch of manufacturing industry that has not been affected, from steel-smelting to the making of scientific instruments, from saw-milling and shipbuilding to every corner of the furnishing trade; from processes in all the metals, and chemicals to work in leather, glass, pottery, india rubber, textiles, paper, and food preparations, not even wholly excluding the transport, distributive, and municipal services.<sup>3</sup>

## § 5. RESTORATION OF RESTRICTIONS

Now that the war is ended and the obligation of restoring the restrictions under Government promise is

<sup>1</sup> Webb: "The Restoration of Trade Union Conditions," p. 38.

<sup>2</sup> *Ibid.*, p. 27.

<sup>3</sup> *Ibid.*, p. 28.

faced, it is discovered that the organic changes have been such that it will be impossible to go back to pre-war conditions. In the case of the Amalgamated Society of Engineers alone

. . . the restoration of "the practice ruling in our workshops, shipyards, and other industries" would involve, . . . (1) the exclusion of all the women, unapprenticed men, men from other crafts, laborers, and in many factories also the non-unionists, from all strictly engineering work; (2) the total abolition of "dilution" and teamwork in all its forms; (3) either the scrapping of the many millions of pounds' worth of new automatic machines, or their manning, even when they were used for simple operations, exclusively by skilled engineers at the old standard rates; (4) the abandonment of any form of "scientific management" wherever it has been introduced; (5) in nearly all establishments the abolition of piecework or bonus systems of remuneration, where they have been newly adopted, and a resumption of the old weekly standard rates; and, in short, (6) a return to the arrangement under which a skilled mechanic, attending to a single machine, occupied exclusively with a single job, did it from start to finish at a fixed weekly wage.<sup>1</sup>

Hence, in spite of the governmental promises to restore the limitations on output, it is realized that restoration cannot be carried out:

To put it plainly, we could not restore that part which has been abrogated of the network of agreements and rules, usages and customs, that existed before the war, even if this could anyhow be done, without undoing the new industrial revolution; and without making, in a reverse direction, as sweeping a change throughout British manufacturing industry as has been effected by that revolution. We may as well admit to ourselves, straight away, that, in face of so great a national loss, and of the opposition both of the employers and of the new classes of operatives who would have to be turned out, together with that of their sympathizers in other social circles, no Government could insist on carrying out the pledge; and that, in spite of its plighted troth, no Government will try.<sup>2</sup>

There is some evidence that the more intelligent labor leaders have come to realize the undesirability of restriction. In a large establishment near Manchester, the chairman of the works committee recognized that the

<sup>1</sup> Webb: "The Restoration of Trade Union Conditions," pp. 47-48.

<sup>2</sup> *Ibid.*, pp. 49, 50.

workers must produce efficiently; but it was evident that he retained the confidence of the men only by great tact and skill.

A leader in trade unions explained, in connection with the restriction of output by the use of machinery, that the introduction of such improved machinery in peace time could only have been effected after considerable trouble and opposition. He was firmly of the opinion that the workers should reverse their policy of restriction to one of productivity, as this would lead to higher wages and more satisfactory conditions for the workers. He stated, however, that he had worked very hard trying to impress this policy upon the Unionists, but that he was of the opinion that the rank and file of the Unionists were still very firmly convinced that restriction of output meant work for larger numbers; and he felt discouraged because of his inability to shake this conviction. He also seemed convinced that if the policy of restriction on output was restored and enlarged, the result would be the crippling of British industry.

In general, skilled workers wished to return to the old practice of restriction of output; but the new workers, who were unskilled, did not.

It may be seen, therefore, that, owing to the impossibility of restoring the old restrictions on output, the labor leaders will regard that fact as a reason why they should be given equivalent advantages in some other directions. If they yield in these demands, it will be to improve their bargaining position in other matters. Already the British Labour Party has shown its understanding of this bargaining power by including among the "demands" in its platform for the December, 1918, elections the following:

3. The complete fulfilment of the nation's pledge to the trade unionists that they should be unconditionally reinstated in respect of the trade union conditions and workshop customs abrogated in the public interest; or else that the Government should submit for their acceptance measures calculated to achieve the same ends.

## § 6. BONUS AND PREMIUM SYSTEMS

Schemes for the stimulation of productivity have been tried abroad to secure high speed war production. The most widespread has taken the form of a bonus or premium. The offer of a bonus or a premium for more or better work has not been very popular with British



workmen. An elaborate system, however, was established on the basis of a "day rate." By the day rate in this case is meant the current rate before adding the Government bonuses of 23 shillings and 6 pence, and 12½ per cent added to the regular rate and to the bonus. For instance, the regular rate of wages for a fitter at the present time is 30 shillings per week of 47 hours; added thereto is a bonus of 23 shillings and 6 pence, and 12½ per cent on the total, making the final rate, including bonuses, 70 shillings and 3 pence. All wage rates were made up of these three parts, the original basic wage established between employer and workman, the Government's addition of a flat sum, 23 shillings and 6 pence per week, and a third part, 12½ per cent of wages plus bonus to meet the increase in cost of living.

In France, likewise, there was a war bonus system whereby a graduated sum was added to the wage on account of the high cost of living (*Primes cherté de vie*). It was so arranged that a workman drawing but 7.70 francs per day, the minimum, would receive 3 francs additional, and a woman worker drawing 6 francs per day, the minimum, would receive 2 francs additional. As the wage increased in both cases the additional amount decreased, so that a workman drawing 17 francs per day would get nothing additional, and a woman worker drawing 14 francs would get nothing additional. The basic rates were set by Rate Fixing Committees in each political district.

The committee consisted of five workers (two women) and five employers, nominated by the respective local syndicates and appointed by the Minister of Munitions. The rates set by these committees are minimum rates; good workmen get more and sometimes much more. The same rates applied to these same classes of labor throughout the district.

Prior to the war the condition, at least in the boot and shoe industry, was different. Your Commission was informed by leading manufacturers that

Previous to the war, labor union leaders (in the boot and shoe industry) argued for a smaller production, in order to leave work for more workmen. Dayworkers would not hustle. The cutters in the shoe industry were mentioned by way of illustration. These men are necessarily on a time basis to insure good cutting and efficient use of skins. Old and young, feeble and strong workmen all cut the same number of pieces per day. A premium system was of no avail.

In Italy, also, your Commission found a war bonus system in operation. It was stated to us that piece and premium work is common in Italian shops. Wages were increased by 25 per cent for overtime, a principle that would hold under the new eight-hour day. The general war bonus system established was to pay a certain amount of wages per day and then add to it 25 per cent or 30 per cent to cover the increase in living costs. Besides this bonus, a premium is sometimes offered for increased output.

The practically inevitable outcome of the wartime bonus system has been that the workmen insist that these bonuses shall be made permanent. In the same way the seamen's unions are demanding that the war bonus to sailors in the submarine zone shall be incorporated into the peace time permanent wage. This same movement is found in Great Britain, France, and Italy. The wages that rose in the war emergency are not to descend in time of peace, if the workmen can prevent it.

#### § 7. PIECEWORK

Piecework has been used much more effectively. It has often given the workers higher wages, while management gets a benefit by a spreading of the overhead charges. The employers agreed that during the war piece-rates set on a scale of effort and production prevailing before the war should not be reduced; this removed the objection of the workers and resulted in many cases in very high productivity with consequent high wages. For instance, women and unskilled workers on repetitive war work came to earn more than the previous earnings of skilled men working at day rates. In the main the objection to piecework has been that, when earnings rise the manager lowers the rate and the interest of the worker in enlarging productivity is removed. In the Amalgamated Society of Engineers a particular job was paid for on a certain allowance of unit time; and until recently employers offered a bonus on time saved. But it was claimed by the workers that the reduced time was made the basis for a reduction of the time allowance on a new contract. Furthermore, the theoretical objection is generally held that the worker cannot be expected to increase production under the present system of distributing shares by which it is claimed that an increased product goes to the employer. Consequently, it is urged that if the workers had

a larger share in the management of industry so that an increased product would increase wages, there would be no opposition to exerting effort to enlarge productivity.

There is evidence that restriction of output has been avoided where there was no cutting of rates:

In a large establishment employing 17,000 men, the piece-rates during the war were set on a basis which permitted a first-class mechanic to earn double the day rate. The piece-rates were set by the company on a basis permitting the mechanic to earn twice the regular rate of 30 shillings, or a total of 78 shillings per week. Some operators on piecework made 200 per cent and even 300 per cent more than the regular day rate. Mr. — had not seen much evidence of attempt by the men in one shop to hold down production in another shop when the piece-rate was the same in both cases. The men in two shops might, however, check up between the shops and make sure that both were getting the highest rate for the same piece. The piece-rates were set from a time study made from the drawings and not by pace-setters or stop-watch investigations. When the work was placed in the shop, the piece-rates were announced, but each operator was given time to try out the work before accepting the rate, and, if he did not think the rate satisfactory, it was subject to negotiation between the foreman and himself. The rate, when once agreed upon by both sides, remained in effect throughout the contract, unless a change was made in the operation. With this policy, there was no difficulty in getting the men to produce at rates which were, in the opinion of the company, about at the limit of their capacity.

In commercial business the company would not be able to grant such liberal piece-rates. For instance, at one time the company was bidding on certain work in competition. The Shop Stewards were called in and the necessity of setting rates on a basis of 50 per cent above the day rate instead of 100 per cent was made clear to them, and this basis was accepted by the men after the situation had been explained to them. However, the workmen do not always accept the piece-rates easily, and sometimes a matter runs along for a month before the company and men get together.

The main reasons why the workpeople slacken in their work and demand shorter working-hours are, in the first place, the fear that there will not be enough work to go around if they produce to the limit of their capacity; and, secondly, they believe that under present conditions they will not get any benefit out of the higher productivity. When such apprehensions are removed, there is a tendency toward agreement and co-operation.



One leader of the Iron and Steel Trades Confederation explained that in his organization the straight piecework system prevailed. By mutual agreement piecework rates were worked out on the conditions prevailing in the industry at any particular moment. With the increased prosperity two possible lines of policy were followed. First, the improvement by increase in the size of the furnaces without decreasing the amount of manual labor required. The Confederation always argued that the amount of manual labor per ton remaining the same, there should be no change in the tonnage rate. The employer gained enough from the decreased overhead expenses to recompense him for the outlay on enlarged furnaces. Mr. — went back to the history of the trade some years, and showed that the tonnage rate of 2 shillings and 6 pence per ton for handwork on furnaces had been consistently maintained, but when new machinery for feeding the furnaces was introduced, the men again by agreement arrived at an allowance for the machinery, and based it on the work of the third man of the gang employed on a furnace, so that the tonnage rate was reduced one third. This is a second method. The principle prevailing in the wages relations between the smelters and the employers was that there must be no change in rate unless there was a corresponding change in conditions and methods of production. He stated that the tradition of the steel smelters, one of the constituent unions of the association, was opposed to restriction of output.

In a large establishment near Glasgow where piece-rates are never reduced or cut except where a change in design is made or where the method of doing the work is materially improved, no difficulty was experienced with the pieceworkers. On daywork, however, where the rates are also guaranteed, slacking was very pronounced, and the only way the workmen could be induced to produce was on a premium or piece-rate basis by which they made large earnings.

The worker's point of view regarding piece-rates as expressed in a discussion with a representative of the Commission was substantially as follows:

The rate-fixing department was, in the majority of works, known as the "guessing" department. In British engineering works no scientific system of rate-fixing prevailed. Rates were fixed stupidly and unjustly. Any skilled and honest representative of the workers could replace the present type of rate-fixer, and thus give both employer and employee a fairer deal.

On the foreman and the rate-fixer rested the onus of responsibility for much of the alleged inefficiency in British

industry. A foreman was too often a bully, hard and inconsiderate. The rate-fixer, more often than not, set a rate that was too high. If men worked at normal speed on rates set so high, they would earn a wage that would be much above the average, viz., 25 per cent above the time rate in the trade. The rate-fixer was in the habit of meeting this situation, the result of his own blunder, by cutting the rate. The secretary of the local National Guild League, a brainy and silent man, gave first-hand evidence of a conversation between a head rate-fixer and his subordinate in which a rate that yielded more than 33 per cent above time rates was discussed, and the conclusion reached to "cut" it, on the ground that the workman was earning too much above the normal rate.

The workmen met this situation by restricting production. They "soldiered"; they accepted the time-fixer's rate and never showed what they were capable of doing. Practically every man present confessed that prior to the war this was their attitude. They feared the cutting of the price and unemployment. The Chairman of the Shop Stewards said that he was given twelve hours by the rate-fixer for an operation which he found he could do in one and a half hours. He took the twelve hours, though, for his rate would have been "cut," and he could see no other line of action. The present foreman said that he was for four and a half months on a job where he systematically restricted production, in the sense that he accepted the time set and never exerted himself to lower it. He would have received no advantage for doing so.

All present asserted that there has been no restriction during the war. In the establishment where they worked, and where the Shop Stewards had a large voice in affairs, the time-rate was the fairly low one of 2 shillings and 6 pence an hour, but there were many men whose rates were equal to 6 shillings an hour. This was a new firm which had learned that it could afford high wages as long as it got high productivity. If employers could learn that lesson, and could see that democratically elected Shop Stewards could be as efficient as the present foremen and rate-fixers, the "control of industry" demanded by the leaders in the Shop Steward movement would be beneficial to everybody. The control they demanded did not go any further than above defined. Problems of buying and selling, and of finance, were beyond the dreams of the capacities of the workers.

## § 8. PROFIT-SHARING AND EDUCATION

In the past, profit-sharing has been regarded as a way out of these difficulties. After assigning a reasonable return to the various grades of labor and a fixed interest to capital, a division of the remaining profits to labor and

capital is involved in such a system. In some cases there have been good results; but wherever there has been confidence in the good faith of the management, it has been found that such confidence generally permitted other methods than profit-sharing to become quite as effective in bringing about good relations between workmen and employers. It is to be kept in mind, however, that, with extreme labor leaders, profit-sharing has no favor, because it recognizes the maintenance of the capitalistic system which ought to be destroyed and succeeded by Socialism. If the whole or even a partial control of industry is obtained by the workers, there is no reason for talking about a share in profits.

So far as the labor force is concerned, every one knows that efficiency of production is really dependent on an intelligent, trained, and willing body of workers. This involves a thoroughly good method of general education in the earlier years for all children. In this respect Great Britain has been lamentably wanting. A system of technical training for skilled artisans has been maintained only by Germany, of all European countries. This is a significant fact to be faced by the Allies in looking to the future of industry. Skilled workers, other things being equal, make low costs, large productivity, and allow high wages. But back and beneath all these considerations there must be found a moral code which will ensure a high quality of goods, freedom from imperfections, pride in work, as well as govern the health, conduct, and family relations of the workers.

The British and French Governments are awake to this situation. The British Board of Education under the direction of Mr. Fisher is developing an extensive program for general and technical education. Labor unions also favor an extension of educational facilities, a raising of the age limit for compulsory attendance at school, and better technical training. The same problem is being faced in France. Among many other effects of the war, it seems possible that more extensive and effective education may be one.

#### § 9. ATTITUDE TOWARD SCIENTIFIC MANAGEMENT

The American method for increasing production by a scientific study of the productive process, called by various names, such as scientific management or efficiency

engineering, has been consciously adopted by but few firms in Great Britain, France, and Italy.<sup>1</sup> Indirectly, however, the influence of the movement has been marked in awakening interest and in suggesting minor changes in methods. The attitude of organized labor to this movement is worth noting.

The attitude of the British workmen towards scientific management is decidedly hostile; they object to being "Taylorized." The workers feel that, although the war introduced quantity production into British industry by necessity, quantity production in peace times may not be suited to their own ends. They do not want to appear to be opposing efficiency in the task of national restoration, yet they hold that the principles of scientific management are anti-democratic and tend to destroy that monopolistic control of the trade unions over production which they consider the safeguard of their standard of living and economic power. Moreover, such institutions as scientific management work against their National Guilds plan for the ownership and control of capital in conjunction with a democratic state. Accordingly, their trade unions expect to reject a greater part of such "American methods" until they are prepared to regulate the employers' application thereof.

The following extract indicates the consensus of labor's opinion on scientific management before its principles were extensively introduced into British industry:

Though there are but few firms in England that have introduced scientific management, the system has spread very largely in America and an acute controversy has arisen as to the effect of the system as a whole on the workers and their unions. . . . All these controversies bring us back to the fact that scientific management is as yet the servant of capitalism and that there are but few chances of judging it on its own merits. Where, however, it is unconnected with the "human factor" of the wage-earner, scientific management has developed mechanical devices and acquired a "hand wisdom" that should be of value in eliminating waste and increasing the wealth of the whole community, whoever has industrial control.<sup>1</sup>

Later, G. H. D. Cole expressed in his article "Scientific Management," the attitude of labor following their

<sup>1</sup>Labour Yearbook, 1916, p. 251.

further experience with applications of the Taylor system, which in part is as follows:

The whole tendency of scientific management, as developed by the employers and by the industrial experts today is anti-democratic. It tends to the concentration of knowledge, authority, and industrial power in the hands of the few, and takes away from the worker not a little even of that small share of responsibility and self-determination which he has enjoyed in the past. Among the trade unionists, on the other hand, the demand is continually growing that the rank and file workers in the workshops should have a greater say in the organization of their industry and in the control of their working lives. Thus there is a clear opposition between the two tendencies. . . . This means in practice the rejection of most of those aspects of the system which the employers are most anxious to establish.<sup>1</sup>

The sympathetic attitude of the French workmen towards scientific management, as shown in their labor newspapers, is in decided contrast with the antagonistic attitude of the British workmen. The shortage of labor, together with the stringency of money and the necessity for increased production are chiefly responsible for the keen interest of the French wage-earners in "Taylorism" (the only scheme the French seem to know of) and their demand for its rational application to the solution of their national reconstruction problem. As with the British, the chief problem confronting French labor is that of control of the application of the system. To this end labor leaders are urging the adoption of a council of joint control which will include a workman delegate, an expert physician, and a representative of the employers. This scheme is a step towards co-operative management. Incidentally it will eliminate the "esprit patronal" or paternal attitude of employers which in the past was found disagreeable to the workmen.

The following short excerpts from discussions on scientific management, published in *L'Information*, indicate the general attitude of the workers:

The Taylor system is . . . the only means of solving the economic crisis resulting from the war.<sup>2</sup>

The application of the Taylor system, in whatever concerns the ruling of labor, should be controlled by a workingman delegate and an expert physician.<sup>3</sup>

<sup>1</sup>The Labour Yearbook, 1919, p. 259.

<sup>2</sup>Dr. Pillet, December 8, 1918.

<sup>3</sup>*Ibid*, December 22, 1918.



Workmen by their syndical organizations and notably by the General Confederation of Labor will enforce the general acceptance of the knowledge of the scientific principles of the organization of labor. They will fight the prejudices, yet too common among workmen against perfection of technique, in demonstrating that the true spirit of modern methods consists in diminishing labor and useless effort, in increasing the *esprit de corps*, and to cause all classes of producers to share the profits of the increase in industrial productivity.<sup>1</sup>

## § 10. THE COAL INDUSTRY

An illustration of reduced efficiency of production is found in the coal industry, which is, of course, one of primary importance not only to Great Britain but to all her competitors. The ability of the British to produce coal cheaply and to employ it in the working up of raw material has been essential to the maintenance of her foreign trade. Since coal is an indispensable necessity for all classes of the community, the coal-mining industry could exercise a powerful influence in bringing industry to a standstill. The expense of production of coal has risen to such a point that America can successfully compete with her in selling coal in many foreign markets. Cheap British coal seems to have gone forever. One reason evidently is the decreasing efficiency of the miners, together with a demand for higher wages and shorter hours of work. Fully 95 per cent of the miners have organized in unions. They have been aggressive and unwilling to compromise. In March, 1915, they refused to sign the Treasury Agreement and were unwilling to surrender the right to strike. When the Government was compelled to place them under the provisions of the Munitions Act in July, 1915, they did not acquiesce. In December, 1916, under authority of the Defense of the Realm Act, the Government took control of the mines, at the same time conceding a substantial increase in wages.

In February, 1919, they demanded an increase in wages of 30 per cent and a reduction in working hours of 25 per cent, together with the acceptance of the principle of the ultimate nationalization of the industry. The Government appointed a Coal Commission whose report was named from its chairman the Sankey Report. The Government adopted and the miners ultimately accepted

<sup>1</sup> André Citroën, January 16, 1919.

this report, which recommended not only an increase of 2 shillings per day worked and a reduction, beginning July 16, 1919, of the hours of labor from 8 to 7, but, "subject to the economic position of the industry at the end of 1920," the hours of labor per day were to be reduced to 6 hours at and from July 13, 1921. In June, 1919, after considering the question of nationalization, the Coal Commission, in the main report, signed by Justice Sankey, recommended immediate legislation for the acquisition of the mines by the state. It then became a question whether Lloyd-George's coalition government and the people would accept the policy of nationalization thus proposed.<sup>1</sup>

Along with this industrial disturbance in the coal industry has gone a serious reduction in the output of the mines and a rise in the price of coal both for export and for domestic consumption. Before the war the average annual output for the coal mines was about 270 million tons. In June, 1919, Sir Auckland Geddes informed the House of Commons that the annual production from July, 1919, could not be more than about 217 million tons; and he warned the public of the coming scarcity and high prices of coal. Already coal had increased in price. Sir Richard Redmayne, Chief Inspector of Mines, showed that the wage cost per ton at the pit mouth had risen from 6 shillings and 4 pence in 1913 to 15 shillings and 4½ pence in 1918. The cost of coal at the pit mouth had increased from about 10 shillings in 1914 to 24 shillings and 10 pence in September, 1918. The average selling price in London in 1914 was 25 shillings and 6 pence a ton, while the controlled public price in 1918 was 43 shillings and 6 pence, and in July, 1919, it was proposed to increase it by 6 shillings.

As a consequence, American coal exporters have made inroads into markets formerly supplied by Great Britain. To Brazil, Argentina, and Uruguay shipments from the United States have increased from 96,000 tons in 1910 to 1,619,000 tons in 1916; while British exports to these countries had fallen off from 6,304,000 tons in 1913 to 1,105,000 tons in 1916. Of course much of this change should be attributed to the difficulties in obtaining ship-

<sup>1</sup>Recent events in July, 1919, show a very serious situation. In Parliament a strong opposition to nationalization has arisen. Thereupon the coal miners have gone on a strike to enforce, among other things, the recommendations of the Sankey Report. Sir Auckland Geddes explained that the rise in the price of coal was dangerous to British industry; but the strike went on. Later in August Lloyd-George refused to accept the principle of nationalization.

ping and to the obvious effect of the war on the distribution of coal. It remains true, however, that the United States has been increasing the quantity of its coal exports to Italy, Sweden, Spain, and other countries. The explanation of this change in exports is partially due to the fact that, in the period up to 1912, the output in tons per employee had fallen in Great Britain from 312 to 244 tons, but that it had risen in the United States from 400 to 660 tons.

The relative efficiency of production is directly affected by the use of mechanical coal cutters. Between 1903 and 1917 the number of machines used in the United Kingdom increased from 643, producing over 5,000,000 tons of coal, to 3,799 machines, producing over 27,000,000 tons of coal; while in the United States in the same years the number of machines increased from 6,658, producing over 69,000,000 tons of coal, to 16,197 machines, producing over 253,000,000 tons of coal. In fact, in 1912 and 1913 only 8 per cent of English coal was obtained by the use of coal-cutting machinery as contrasted with probably 51 per cent in the United States. It also is clear that the English collieries and docks — certainly in Wales — are not equipped with such modern labor-saving machinery as in the United States. The absence of modern devices for saving of labor in boiler houses and on the surface generally is very noteworthy. No doubt before the war labor was cheap and it was more profitable to employ labor than to introduce machinery. In some parts of England, however, especially in the Durham Field and on the docks at Newcastle and South Shields, better trucks and electric haulage with modern tips and cranes have been introduced. The attitude of organized labor to this introduction of machinery is not clear. In the investigation of your Commission, it seemed plain that, while open opposition might not have existed, something was always happening to the machinery to prevent its efficient use. In fact some definite antagonism to machinery was clearly indicated.

#### § 11. EFFICIENCY IN SHIPYARDS

From an inspection of the shipyards on the Clyde some observations were made bearing upon efficiency of production in this line of industry. A few modern, well-equipped yards, with a good layout, were noted. In



general, however, they are cramped for space and suffer from the fact that the original plans had not anticipated large expansion. The result is a cramped yard, with poorly organized processing of material. The machine shops had good machines, many of them up to date and probably brought in to replace older types through stress of war. There appeared to be in many instances a somewhat lavish use of labor for running the machines. This may be due to tradition in the industry, from which in general Europe suffers far more than America. Pneumatic riveters are supplanting handwork with steady, if not rapid, progress. One foreman expressed the typical attitude toward this process of substitution by saying:

We know that pneumatic riveters are coming, are bound to come. They are faster, and speed in shipbuilding is now demanded. The work of riveting, however, is not done so well. We know that.

It is estimated that about one half of the riveting is now done by pneumatic tools. The workers with these machines make higher wages than hand riveters. This is one device used by the management to secure their adoption.

One phase of the situation which a foreigner cannot appreciate is the influence of long association with the industry on the part of workmen, and the universal pride in achievement, in prestige, among the men. There is a sense of being born and bred to the shipbuilding trade that finds expression in all sorts of ways. Labor becomes less mobile because the workmen have no idea of seeking work elsewhere. There is a pride in the excellence of work done, in the fine traditions of the firm that counts for much. Such forces work for a strong undertow of conservatism among the laborers.

British shipbuilding costs are rising, due to higher costs of materials and higher wages demanded by workmen. There does not appear any immediate likelihood of steel or steel frames falling in price. Labor demands are continuing persistently. It was the consensus of managerial opinion that the efficiency of workmen decreased with increases in wages and increased with falling wages. As in the case of coal, British shipbuilders are looking with serious concern toward the United States.

## § 12. EFFICIENCY IN WAR WORK

Mention should be made in this connection of the British war industries, that is, the munition factories. Because many of these had to be built from the ground up, and because others were so radically changed by the war, they illustrate what British efficiency can do under stress of circumstances and when released from peace-time restrictions and inertia. A few items from the observations made by an American expert are noted below:

In practically all cases feed and speed and the speed of operators are very much below United States and Canadian practice. In spite of this British shops manage to turn out every week an output which in quality and quantity seems to average equal to our good shops. Repairs and rejections to scrap are less than in the United States.

British tooling and general shop organization is much less highly specialized than in the United States.

Shops are very weak in conveyers, use of air spot welding, high speed steel, and many other things which we find efficient.

Nearly all British shops have approximately 50 per cent more floor space than those in the United States, by any standard. This is partly due to British factory law, but is of great advantage to efficient management. Comparatively few shells are around a machine at any time, and these are kept moving. Any defective shells are immediately repaired or scrapped. Few are even visible in any shop. The better handling of these points, together with the uniformly high quality of forgings, is believed to account for the fairly satisfactory quantity of output, notwithstanding that the feeds and speeds and the speed of workers are low.

Almost all British shops are extremely light and pleasant places to work in. Sanitary arrangements are excellent for men and women. Majority of the shops are equal to the best in the United States in this respect.

All parts of shops are kept scrupulously clean in most cases.

The war demand for high speed production has undoubtedly had a material effect upon industrial methods in Great Britain, France, and Italy. A continued reiteration of the superior productive methods of Germany and the more effective use of machinery by the United States has resulted in awakening an eager interest in the minds of production managers. They want to know what these methods are; they are more open-minded to new processes, new labor-saving devices, better organization. It seems

generally agreed that scrapping of old machines will not be such a heart-rending process in the future as it has been in the past. The British mind is pretty thoroughly shaken in this aspect of its insularity. French industrial and commercial leaders are likewise keenly aware of the coming competitive struggle. With the restoration of material resources, they are growing ambitious to become an efficient industrial nation.

### § 13. CONCLUSION

A part of the struggle in these countries to secure a higher degree of productive efficiency is certain to be the overcoming of labor's antagonistic attitude. Restriction of output is not consistent with an attempt greatly to increase output. It is a fundamental attitude that must be changed. Thoroughgoing, cordial co-operation between employers and workmen is essential to efficient production. One may wisely draw the conclusion, therefore, that our own industrial advancement should not be menaced with the inevitable dangers arising from the wrong point of view spread among our workmen — the erroneous principle that more employment in a country where there is a surplus of labor can be obtained by lowering the production of each worker. The forces which, undirected or wrongly directed, have already brought British industries to a crisis, should not by our careless passiveness be permitted to produce the same effects upon our own.

## CHAPTER III

### M A N A G E M E N T

#### § 1. CONFUSED TALK ON ECONOMIC PROBLEMS

There was found in all the countries visited by your Commission a common element in the new labor movement. This common element is a direct challenge to the present industrial system. Workmen may talk of this or of that subject, but behind it all and admitted over and over again is the fairly well defined aim to establish a new social and industrial order. This aim may appear in a variety of phrases. It may be spoken of as the democratization of industry, or as self-government within the shop, or as democratic control, but the real essence of the meaning is the same. There is, undoubtedly, however, much loose and thoughtless talk on this subject by those who are opportunists. They have not given serious or long-continued thought to the economic significance of the views which they present. In view of this fact, therefore, something needs to be said at this point about one function in our industrial régime, which has been greatly obscured by lack of clear thinking, before the general problems of labor are taken up. This is the function of management.

In the published utterances of labor leaders there is usually no clear distinction made between industrial control and the function of management. As an example of Labor's attitude toward this subject, the following quotation from the program of the British Labour Party will serve:

It demands the progressive elimination from the control of industry of the private capitalist, individual or joint-stock; and the setting free of all who work, whether by hand or brain, for the service of the community, and of the community only.<sup>1</sup>

Or again:

The only solution of the industrial problem is the transference of the control of industry from "private enterprise" to

<sup>1</sup>"Labour and the New Social Order." Pamphlet of the British Labour Party, p. 12.

the organized workers by hand and brain, under a system which will ensure that the workers will produce for use instead of profit, as the servants of the whole community and not of a privileged class.<sup>1</sup>

Equally pertinent is the following:

Even now the industrial weapon, whether it be the strike or negotiation backed by the threat to strike, can be used to secure a foothold in control and to pave the way for the assumption of management by the workers. Already there are signs that this is happening.<sup>2</sup>

The scope of demands by labor runs from a share in the control of working conditions in the shop to the taking over of the entire function of the employer. The quotations given above are types of the radical attitude. The following may be taken as an example of a more moderate point of view:

Would it not be possible for the employers of this country . . . to agree to put their businesses on a new footing by admitting the workmen to some participation — not in profits, but in control? We workmen do not ask that we should be admitted to any share in what is essentially the employers' own business—that is, in those matters which do not concern us directly in the industry or employment in which we may be engaged. We do not seek to sit on the Board of Directors, or to interfere with the buying of materials or with the selling of the product. But in the daily management of the employment in which we spend our working lives, in the atmosphere and under the conditions in which we have to work, in the hours of beginning and ending work, in the conditions of remuneration and even in the manners and practices of the foremen with whom we have to be in contact, in all these matters we feel that we, as workmen, have a right to a voice — even to an equal voice — with the management itself. Believe me, we shall never get any lasting industrial peace except on the lines of democracy.<sup>3</sup>

With more discernment of the complexity of the problem, an "intellectual" leader of the labor movement in Great Britain has expressed as his opinion that extended control by organized workmen has proven a failure:

Attempts of trade unions to engage in industry have been uniformly and invariably financially unsuccessful, and no

<sup>1</sup> "The Industrial Chaos." National Guilds Leaflet, No. 8, p. 4.

<sup>2</sup> "National Guilds." Pamphlet of the National Guilds League, No. 1, p. 14.

<sup>3</sup> Mr. Gosling: Presidential Address to the Trade Union Congress, 1916.

encouragement should be given to any trade union to find any capital for industrial enterprises, whether under its own control or by self-governing workshops or what is usually styled co-operative production.

And again:

The self-governing workshop has, however, proved by universal experience to be inapplicable to any industrial undertakings on a large scale, and therefore affords us no plan of organization for the great mass of modern industry. Even in the industrial enterprise that can be carried on in a small way, the self-governing workshop, where the workers enjoyed absolute autonomy, has proved by long and varied experience to be, in all but very exceptional cases, neither stable, nor, so long as it endures, economically efficient, and that where any commercial success has been attained, it will be found that it has been gained when there is a close market, nearly always a partially tied market, such as co-operative stores.<sup>1</sup>

The industrial unrest in Europe has given opportunity for the radical labor leaders to make their opinions more pronounced. In the confusion of such times, when the minds of the great mass of men are not clear on the issues at stake, there is always an opportunity for radicalism to have vehement expression. It is also true that at such times confused and inexact terminology may be very dangerous. It is for this reason that the subject of management is taken up at this point and discussed in detail.

## § 2. LITTLE ATTENTION GIVEN TO MANAGEMENT

In the whole discussion of labor and its rewards, both in Europe and this country, there is a lack of understanding as to the function and wages of management in industry. The British workers often regard management and capital as jointly antagonistic to labor. On the side of employers there is little disposition to analyze the general term "profits" and find out how much of their gross return is due to the mere possession of capital (either invested or borrowed); how much to insurance against the various risks of bad debts, seasons, unexpected panics, wars, obsolete machinery due to new inventions, etc.; and how much to brains and skill of management. Such ambiguity, where the owner of the capital is also his

<sup>1</sup> Sidney Webb: Committee of the Fabian Research Department, 1916.



own manager, is perhaps natural; but in these days of large production, which has necessitated the use of the corporation, the separation of the management from the shareholders (or owners of capital) is known to all. Moreover, as concerns grow larger and operations become more extensive, a division of the various duties of the management into separate branches has become inevitable. Such a breaking up of what was once regarded as the function of one manager has thrown much light on the relation of management to the other necessary factors of production.

In trying to get a practical understanding of the function of management it is clear that it covers the following heads:

(a) Buying of materials at the right time; foreseeing market conditions often throughout the world, and deciding how far to go in storing supplies ahead. Questions of foreign imports and the price of exchange are to be mastered.

(b) Technical processes. The state of the arts in all countries, the power to decide whether a new invention will be a commercial success, good judgment in adjusting machinery to floor space, and sequence of processes, are matters requiring a special training for years in any one industry.

(c) Selling. To know accurately home and foreign markets, to devise the best selling agencies for a particular kind of product, to know when to sell and at what price, is vital to the continuance of the industry.

(d) Financing all operations involved in buying and selling, determining the form of credit, discriminating among buyers as to integrity and promptness of payment, introducing cost accounting, borrowing capital, discounting paper, while dependent on an expert knowledge of banking at home and abroad, require a very exceptional ability among managers.

(e) Organization. The capacity to organize an industry into a well-knit whole, to know human nature, and to have an instinct for selecting the right man for a given duty, to keep all parts of the institution in proper co-ordination, to reserve leisure to think, and to keep a grasp on the industrial tendencies of the whole world, is essential to the highest type of an executive.

The industrial manager is not a product of books or education. He is born, not made. Training and education will add to his intelligence and power, but his bent is

intrinsic. He is found only by being tried out in actual experience. He comes to the top only by virtue of a great need for such men and by a demonstration of his capacity to satisfy that need. An artist may make a poor mathematician and the son of a rich man may make a poor manager, while the son of the soil may develop a capacity for organization which may place him in control of a house named after a founder of years long gone by. The manager is the pivot of success for any concern. He is the most important figure in the life of industry. He it is who makes employment possible for a labor force of thousands; and yet he is almost always a salaried man.

### § 3. MANAGER A SKILLED LABORER

It becomes obvious, then, that a manager is a man paid for certain very necessary services to industry. He is not paid for the possession of capital. If one were asked to define any form of labor, it would be said that a laborer is a person who provides a service to industry, either physical or mental, in return for an agreed upon payment. Therefore, a manager is a member of the laboring classes, only he is distinguished by being a highly skilled laborer. The services he renders are those of a human being employed in industry. His function is that of a rare, skilled worker.

When using the word "labor" it is to be remembered that it is general in its meaning, like the word "trees." There are various kinds of labor just as there are various kinds of trees. From the unskilled manual laborer with the pick and shovel there are strata of the slightly skilled, the trained artisan, the skilled mechanic, the civil or mechanical engineer, the specialist, up to the best known organizers. The highest grade of labor differs from another chiefly in capacity for better serving the purposes of industry. Moreover, the wages of the manager are determined on the same principle as that of any skilled labor. That is the principle of scarcity. If skilled carpenters were as numerous as day laborers they could get no more than the latter. The mere fact of skill produces a limited class. Further, the skilled hold their own because they add either quantity or quality to the product. There is thus a relation between what they produce and what they receive. If any man taken at random off the street were as competent to manage successfully a bank, a

factory, a railway, or a shipbuilding plant, then managers' wages would be as low as that of day labor. But, in fact, good managers, because of the difficulties of their positions, are very scarce, and the demand for them, as industry expands, becomes increasingly intense. The man who, during the war, has shown high executive ability has been pursued by the offer of very high wages. The reason why one man gets only \$400 a year and another gets \$40,000 is that marked capacity is rare. Indeed, if a manager is successful in building up the business of a large factory or a railway, — often taking it out of bankruptcy, — he may gain millions for his company, out of which his managerial wages form an insignificant fraction. A highly paid manager is, therefore, often the cheapest man to his company. The manager is a laborer, and it is open to any other laborer of skill to obtain the wages of skill if he has the capacity. That is, the struggle for high wages is not primarily a struggle between labor on the one hand and capital on the other, but a struggle between differing grades of labor accordingly as they possess more or less industrial capacity. To demand higher wages without any regard to capacity and skill leads only to a deadlock and a fight against a rising cost of production, higher prices, and a higher cost of living to all persons having fixed incomes.

#### § 4. DIRECTORS AS MANAGERS

It is to be noted, also, that although these managerial functions may be split up and divided among various persons, they do not cease to exist. It has long been noted, for instance, that the directors of corporations who represent the shareholders, exercise managerial power, and yet they do not receive a direct salary for such work. They are the ones who appoint the active executive managers to carry out the general policy determined upon by them. Thus, the success or failure of business enterprises, especially those of large size, may depend more upon the sound judgment, foresight, ability, and industrial experience of the directors than on the executive chosen by them. The executive head of an establishment usually appoints the heads of departments, assistants, and superintendents and is largely responsible for the working of technical processes, yet he not only has the co-operation of his directors in these matters, but their active influence in questions of finance, foreign markets, and organization.

One strong man among the directors, although giving but little time to any one company, may greatly affect the broad and vital policies of the house. Such men are more often really managers than the appointed executives working on a salary. Without such ability in management the returns to an industry would undoubtedly be much less.

And yet such directors receive no salary. Still they contribute much to the returns. How, then, are they compensated? For if they are not, this class of men would not be developed nor be available in raising the efficiency of industry. While some act from a desire to render a service, some from a love of power, generally such men obtain a pecuniary reward from their stock holdings, which are often very large. They are, in fact, recompensed only by the larger dividends they receive as stockholders whenever the success of their policies brings in larger returns to the companies which they serve. Hence, large dividends in many cases are due to the skill of management of men who are not often recognized, but who are nevertheless the true causes of industrial success. Without them earnings would often disappear. The presence of these earnings of skill is no reason why they should be claimed by some other factor of production that could not have been the cause of them. They, moreover, render a service to other investors. It is well known that in all the great industries the vast majority of the stock holdings are owned by persons able to buy but a few shares. Hence, if capable directors aid in the earning of large dividends for their own shares, the small investor obtains the same proportional return on his modest capital.

#### § 5. SCIENCE OF MANAGEMENT

It was pointed out to your Commission that in England the problem of management had never received serious study. The directors, it was claimed, were too often badly fitted for their posts and were chosen rather for their standing as financiers, for their power of commanding capital, for their ability to finance the purchase of raw material or to sell the finished products, than for their experience in and capacity for production management. Said a member of the Technical Engineers' Association:

English industry needs the technical engineer, whose outlook is scientific, who knows science can find a way to produce

greater quantities, not merely of goods, but of comforts and pleasures of life. The manufacturers need such men, although at present they would not look favorably either on their organization or on their aims. The workers need such guidance, and, in their present receptive mood, are more ready than the employer to welcome such guidance, though they would still be very suspicious of such men, whom they regard as employers' satellites. In general, the workers, though demanding control of industry, are aware that such control can only come when the "staff" is on their side.

The aim is to isolate the problem of production management from that of financing, of purchasing, and of selling, to make this function a separate science or profession. The manager in this sense will be essential both to employer and to employed. He is to be distinguished both from the financier and the laborer; his field is the science of management; his sole aim is to secure efficiency of production.

#### § 6. LABOR DEMANDS A SHARE IN MANAGEMENT

The lack of knowledge as to the various services which are remunerated under the name of "profits" and "dividends" probably accounts for much of the agitation in favor of a greater control of industry by the workers who provide no capital to the industry in which they are employed.

In Great Britain, where the demands of labor have been carried to the greatest extreme, various intentions as to the extent of control over management have been expressed. It is urged that if the workers had a larger share in the management of industry they would so modify the methods of distribution that an increased product would increase wages; in that case they claim that there would be no opposition by the workers to exerting effort to enlarge productivity. It was also held that as long as companies showed large profits they had the means for paying higher wages. On the other side, it was claimed by the employer that so-called profits were much misunderstood, and were really not in the form of cash, but only a statement of what had been taken from the yearly proceeds of the industry for depreciation, risk, and the enlargement of the industry, so that more labor could be employed and more product turned out in the future; that statements as to earnings were misleading, that they



often were only statements on paper of the form in which parts of the proceeds from the sales of goods had gone into various forms of the industry. The opposition on the part of some workers to the necessary setting up of reserves and the use of profits for the expansion of business facilities is most unfortunate.

It is to be remembered, when organized labor refers to the high published rates of dividends of some companies as an evidence that they can pay higher wages, that in many cases the increased productivity yielding such results has not been traceable to the workers; in truth it has been due to the devising minds in the management. The steady increase in wages during many past decades has often been possible only because methods and machinery have enabled a large return to be earned out of which higher wages could be paid. There are numerous proofs of this general statement in our own economic history; but it has been signally verified by frequent instances which developed in the course of war production in the United States.

#### § 7. CO-OPERATION AS A SOURCE OF MANAGERS

The point has been sometimes raised that, if organized laborers took over the control of industry, they would not have the managerial ability to carry on the essential functions of management in these days of large enterprises. To this it has been replied that the workers have shown managerial skill of a high order in the co-operative associations of Great Britain. Beginning with simple distributive co-operation which required little executive ability, the movements spread to productive establishments for the manufacture of goods for the distributive societies. Thus wholesale operations were greatly extended. Without doubt the presence of the need may have drawn out managerial ability from unexpected sources; but, as in our savings banks and friendly societies, men of standing and business experience in the community have gratuitously aided the productive co-operative movement out of public spirit. Thus the facts do not necessarily show that labor can provide the trained managerial ability for conducting large enterprises.

It is to be kept in mind, however, that it is folly to suppose that executive power belongs to any one class, either



to the laboring or to the employing class. A man is marked for managerial tasks, not because he is poor or rich, but because of his individual qualities. In this day of large enterprises many a man of executive power has risen from the humblest origins. This, however, does not prove that organized labor, should it get the control of industry, would be able to command from its own ranks men of pre-eminent managerial capacity who would work for the average wages of the usual working-man. If wages of management, for great industrial skill, are to be wiped out in order to increase the wages of less skilled workers, the inducement to skill and efficiency of production disappears.

Some explain that labor organizations aim only at a share of control over shop conditions; but, in fact, the most intelligent and enterprising leaders, while admitting that laborers may not now have in their ranks men competent to assume charge of all the functions of management, evidently look forward to the assumption of the supreme tasks of management sooner or later. Their purpose, however, in attempting to gain control is not so much to increase the efficiency of production as to obtain a position of authority through which wages may be fixed at a rate more satisfying to the recipients of wages. That is, it is assumed that wages can be increased at the expense of some other factor in production. In the event that the workers should obtain control of industry, it is clear that it would result only in an exchange of managers. They do not seem to realize that managerial jobs would be found only for a few new managers in place of the old and that the new managers would have to succeed in all the functions above indicated; otherwise, the business would fail and loss to all would follow.

## CHAPTER IV

### ORGANIZATIONS OF WORKERS AND OF EMPLOYERS

#### § 1. GREAT BRITAIN

Most American readers are not familiar with the many different types of industrial and political labor organizations or of employers' associations abroad. For the sake of convenient reference, therefore, a list is given here of the most important of such organizations, with a brief sketch of their development and aims. This list is not intended to be complete, but to identify those associations that have most influence.

Labor organizations may be divided, according to their activities, into industrial and political. The two are not always fully differentiated, but intimately interwoven both in structure and functioning. The political organization does not include all trade unionists nor is its membership confined only to trade unionists. The industrial organization ranks first, both in time and in strength of numbers and influence. Herewith are listed the main organizations:

*The Trade Union Congress*, which is the annual deliberative assembly of the trade union world, represents what its friends describe as "the largest and strongest organized force ever created by any class in any country for the purpose of mutual protection." It dates from 1868, when 34 delegates met to represent the interests of 118,367 trade union members. By 1918, its jubilee year, it had grown to comprise 881 delegates, representing 4,532,085 members from 262 unions. It comprises most of the large unions and federations. Delegates are elected on the basis of the numerical strength of their unions, and vote in a block. The Miners' Federation, for example, sent 171 delegates to the Congress of 1918, and thus cast nearly 20 per cent of the votes.

There is also a Scottish Trade Union Congress with a membership, in 1918, of about 500,000, and also one for Ireland, whose membership cannot be ascertained.

The program of the English Trade Union Congress calls for nationalization and control of railways, coal mines, land,

canals and waterways, larger housing provisions, and extended educational facilities.

Out of its membership, the Congress elects a *Parliamentary Committee*, 16 in number. Its functions are to watch all legislation affecting labor; to initiate such legislation as the Congress may direct, and to act as an executive of the Congress in the interval between each meeting. The presentation and discussion of the report of this committee constitutes a large part of the annual proceedings of the Trade Union Congress.

The President of the Congress is generally a leading representative of one of the important unions.

Out of the activities of the English Trade Union Congress have sprung two other national labor bodies: the Labour Party and the General Federation of Trade Unions. The former is a political organization, the latter an endeavor to obtain a strong, central industrial organization.

*The Labour Party* is a federation which represents organization of trade unionism for political purposes. The membership of the party, which was founded in 1900, is recruited chiefly from the trade union world, but includes trades councils, and two socialistic organizations. At its annual conference in January, 1918, its membership was reported as 2,465,131, of which 2,415,383 belonged to the affiliated trade unions. This figure for membership is based on the contributions made by the unions. As it is an established fact that many unions do not pay contributions in accordance with their full strength, the host of trade union support is even greater than the figures indicate.

In 1917, the party extended the basis of membership by opening its ranks to brain workers, and by giving women four seats on its national executive of 23 members.

Labor had been represented in Parliament before the formation of the Labour Party. In 1892, 15 labor men were elected; in 1900, 11. But from 1900 onwards Labor turned definitely towards political organization.

The decision in a famous lawsuit, the Taff Vale Case (1901), having made labor officials responsible for damages inflicted by union members during a strike, exposed all trade union funds to possible confiscation. It was this decision which turned Labor's attention to politics. In the election of 1906, 51 Labour members were elected, in the two elections of 1910, 47 and 48 respectively, and in 1918, 59 members.

The Secretary of the Labour Party is Mr. Arthur Henderson, while on the national executive are J. R. Clynes, M.P.,

formerly Food Controller, Sidney Webb, Ramsay McDonald, and Robert Williams. Among its parliamentary representatives are John Hodge, M.P., formerly Minister for Pensions. Two members of the Coalition Ministry formerly belonged to it, viz., G. N. Barnes and G. H. Roberts, both of whom have held the positions of Minister for Labour. The two latter withdrew from their party in November, 1918, when it severed the party truce.

The administrative connection between the industrial section as represented by the Trade Union Congress and the political section, represented by the Labour Party, is not self-acting. The Labour Party does not report to the Trade Union Congress, but its members and leaders take a dominating part in discussions and secure a solid backing from the trade unionists. To secure united action, an organization, known as the Joint Board, has been set up.

*The Joint Board* may be described as the machinery through which the aims common to the industrial and political sections of the Labour movement are realized. It was instituted, originally, in 1905, to consist of representatives of the Parliamentary Committee of the Trade Union Congress, the executive committee of the Labour Party, and the managing committee of the General Federation of Trade Unions. Its purpose and aim were to organize for united action in the electoral campaign of 1906. It has served to focus the opinion of organized labor and has guided industrial policy and Parliamentary action.

In 1916 the action of the Trade Union Congress in Birmingham led to the reconstitution of the Board without participation by the General Federation of Trade Unions.

Prior to using the political weapon, the Trade Union Congress sought to gain greater strength for industrial action by federations within its membership. Of these the only one formed is the General Federation of Trade Unions.

*The General Federation of Trade Unions* was established in 1899 with an initial membership of 43 unions and 343,000 individuals. In 1914 its union membership was 146; in 1918 its individual membership was 1,100,000, comprising about one-fourth of the organized unionists of the country.

It is virtually a strike insurance and benefit society. Its members pay contributions at a regular rate per member, and receive a certain rate of benefit when their members are on strike. Its financial position has been gravely burdened by

the labor unrest of this century, while several of the large and wealthy unions which had belonged, withdrew from it. Its membership now consists of the cotton operatives, the dockers, and many small craft unions.

It prefers to act by industrial rather than by political means, and under the conservative leadership of its Secretary, Mr. W. A. Appleton, was becoming somewhat divorced from the general labor movement. The Trade Union Congress of 1916 objected to the overlapping which resulted from its representation on the Joint Board, and has practically banned it.

More recently, dissatisfaction with the achievements of the Labour Party has produced a powerful revival within the trade union party for industrial federation of industrial combinations. The motive of this movement is to secure joint action in case of an industrial dispute of national extent.

*The Triple Alliance*, the first of these federations, was formed in 1915 from the three most powerful union federations in Great Britain; viz., the Miners' Federation, the National Union of Railwaymen, and the National Transport Workers' Federation. The miners have 800,000, the railwaymen 350,000, and the transport workers 250,000 members. This group of unions has power to impose economic paralysis upon the country. They may act in matters of a national character, and may not take action likely to affect the others until such proposal has been submitted to the joint body for consideration. Fortunately, all three bodies must be unanimous before action is taken.

The constituent members of the Triple Alliance are among the largest and most powerful unions in Great Britain.

*The Miners' Federation of Great Britain* is a federation of 18 district associations strongly centralized. Its 800,000 members comprise 85 per cent of the persons employed in or about mines, except craft unions. Its dominant member is the Miners' Federation of South Wales, which is so highly socialistic as to be almost syndicalist. By reason of its members, its organization, and its policy, the Miners' Federation is likely greatly to influence British trade unionism for many years. Its President, Robert Smillie, is also Chairman of the Triple Alliance, and is today a dominating figure in British trade unionism. He was the driving force behind the demands of the miners which led to the Coal Commission.

*The National Union of Railwaymen* resulted from amalgamation in 1913 of three railwaymen's unions, with a total membership then of 170,000. Its membership has now



doubled; in fact, the figure supplied to the Trade Union Congress in 1918 was 402,000 members. This union is strictly industrial, comprising all persons engaged in the industry, with the exception of a craft union, the Locomotive Engineers and Firemen, with only 38,000 members, and a professional union, the Railway Clerks' Association, with 66,000 members.

The most influential man in the union is its Secretary, Mr. J. H. Thomas, M.P., one of the great orators of the labor movement and one of its sanest and most trusted leaders.

*The National Transport Workers' Federation* embraces thirty unions of land and water transport workers, which amalgamated in 1910. Its membership is estimated at a quarter of a million members.

The moving figure in the Federation is the Secretary, Robert Williams, who belongs to the more revolutionary type of labor leaders. While a member of the national executive of the Labour Party, he disbelieves in parliamentary action, preferring the method of the strike for the achievement of industrial aims.

A general movement towards amalgamation and federation has characterized trade unionism in Great Britain since about 1911. Two of the constituent members of the Triple Alliance came into existence as a result of that tendency. Other federations have been formed in the building and the textile trades, among tramway and women workers, the iron and steel trades, and general laborers.

*The Iron and Steel Trades Confederation* is a fine achievement towards centralizing trade union organization and securing stability and industrial peace in the industry. It was formed in 1917 out of four unions in the iron and steel trades. Its total membership is about 75,000, and consists entirely of highly skilled men, who maintain harmonious relations with employers. Its secretary is Mr. Arthur Pugh, vice-chairman of the executive committee of the National Alliance of Employers and Employed.

*The National Federation of General Workers* is a federation of unskilled workers. It was formed in May, 1917, out of seven unions of general workers with a total membership of over 700,000, including a number of women workers. Although this is an industrial union, it is by no means militant. Its objects are to take common action on wage movements and questions of women's labor, to approach government departments on behalf of affiliated unions, and "to maintain greater harmony among the affiliated members."



*The Federation of Engineering and Shipbuilding Trades* is a loosely knit federation of 27 unions with a membership in 1913 of nearly 600,000. It was concerned very largely with the questions of demarcation between the rival craft unions, which composed it, and with the discussion of common objects and grievances.

*The Amalgamated Society of Engineers*, which has since seceded from the above federation is a powerful craft union with about 275,000 members. It dates back to 1851. By reason of the fact that its members are scattered through many industries and because of its strict defense of craft privileges against the unskilled and semi-skilled, it has occupied a prominent place in the disputes and discussions in the engineering trades since 1914.

## § 2. EDUCATION OF LABOR OFFICIALS

No account of British trade unionism can be complete without including a statement of the efforts to promote education for the workers of the country. Three organizations among those which aim to promote such culture have acquired some celebrity and influence.

*Ruskin College, Oxford*, was established in 1899 for the purpose of providing education in the social sciences for working class students. It is a residential college. Many of its graduates have become leading officials in the trade union world. The administration is in the hands of representative labor leaders, and the college's chief support comes from trade unions and kindred institutions.

The college conducts a correspondence course which is very largely availed of, and arranges conferences on industrial questions. These conferences receive the support of the Trade Union Congress.

*The Central Labour College, London*, arose from a strike in Ruskin College, in 1909, against the growing conservatism, as it was deemed, of the older college. The new college was founded on the twofold principle of the necessary antagonism of interests between capital and labor, and of the necessity of a class conscious education of the workers. The college is practically supported and owned by the National Union of Railwaymen and the South Wales Miners' Federation. Classes are organized in local centers under tutors who have been educated in the Central Labour College. These preach the idea of industrial unionism and teach Marxian economics and especially the Marxian doctrine of economic determinism.

*The Workers' Educational Association*, founded in 1903 by Albert Mansbridge and a small group who recognized the

connection between a higher level of general education and any distinct social advance. In 1907 co-operation was effected with the universities, and joint committees of nominees of the universities and of the workers were set up in most large centers of England. The chief characteristic of the association is that it has organized working people to seek their own education. A three years course is sketched for each tutorial class, which has the right to select its own course of study. In general, economics and industrial history are chosen. Though its membership is only 10,000, it is recognized as a powerful agency towards satisfying the educational aspirations of adult labor. Although it is attacked by the Central Labour College as reactionary, Cole says, "As training grounds for active labor workers and officials, they have so far proved not inferior to the classes of the Central Labour College." Its President is Rev. William Temple, son of the late Archbishop Temple. The association also includes among its supporters many of the intellectuals in England and Scotland.

### § 3. FRENCH LABOR ORGANIZATIONS

The workers of France are organized into *syndicats*, which correspond to our trade unions. These *syndicats* are organized in one or both of two ways. They are federated into national federations, on the one hand, or into local Bourses de Travail on the other. These Bourses ("locals" or trade councils) are themselves united in a National Federation of Bourses. The national federations of industry and these departmental federations of the Bourses constitute the *Confédération Générale du Travail*. No union may belong to the latter except through membership of one or other of the two forms of federations.

The number of *syndicats* organized in 1914 was given as 4,846, with 1,026,303 members, of whom 89,364 were women. Out of these 4,846 unions, 4,380 were linked into 201 larger federations, covering 839,331 members.

In addition to this organization of industrial workers, there are found organizations whose members are not confined to workers.

These *syndicats mixtes* or *jaunes* (mixed or "yellow" unions) are composed of both employers and employed. They are mainly catholic in composition, are friendly to employers, since their rules forbid strikes and since they arose

as an organized movement against what is known as revolutionary syndicalism. In 1914 they were 233 in number and had a membership of 51,111. Little movement towards federation has characterized them, since they are largely local in nature.

*The Confédération Générale du Travail* — the General Labor Confederation — known familiarly as the C. G. T. — dates from 1895 and is the French analogue of the British Trade Union Congress. Its membership reaches probably 500,000 to 600,000 individuals, but is irregular, because of the objection of French workmen to paying fees unless for some direct benefit. Strictly speaking, the C. G. T. is the apex of the French labor organization, in which unions, based on the industrial principle, are grouped into a number of national federations, which, in turn, are organized in the C. G. T. But there is little centralization and much local autonomy; large union funds are discouraged; political action is looked upon as unimportant, while the general strike is regarded as the real weapon of the working classes. The C. G. T. thoroughly endorses this attitude on politics and the general strike; at least two thirds of its membership is revolutionary, the rest "reformist." The Builders' Federation, the largest of the affiliated federations, and the Metal Workers', the third in size, are revolutionary; the Miners', the second in size, are "reformist."

The Secretary of the C. G. T. is M. Léon Jouhaux, who is himself opposed to the general strike, and has summed up his advice to war workers during the reconstruction period in the formula — maximum production in minimum time for maximum wage.

As in England, the industrial organization of the workers is paralleled by their political organization. In the same way, too, a small committee, like the Joint Board, exists to maintain effective cohesion and co-operation.

*The Parti Socialiste* — Socialist Party — represents the political side of French trade unionism, its members, however, being confined by no means to workers. It originated about 1880. In 1893 it elected 40 representatives to the Chamber of Deputies out of 602 members. In 1906 it was reorganized by the late Jean Jaurés under the title of "The United Socialist Party." In that year it returned 54 deputies; in 1910, 76; in 1914, 102. At the same time there was a group of Independent Socialists with 20 members in the House of Deputies in 1906; 32 in 1910, and 30 in 1914. This socialist group is one of the largest and most influential in the Chamber.

#### § 4. ITALIAN LABOR ORGANIZATIONS

Labor organizations in Italy resemble those in France inasmuch as both countries have a General Confederation of Labor and a Socialist Party. But within each of the Italian organizations there have been divisions which, while threatened, have never materialized in France.

*The Confederazione Generale del Lavoro* — General Confederation of Labor — is numerically the largest Labor organization in Italy, comprising about 420,000 members. Its organization, which dates from 1906, is similar to the French C. G. T. Its political attitude is different, since it co-operates with the parliamentary socialists and favors political as well as industrial action. It has an immediate program of an economic, social, and educational nature, maintains its own insurance, relief, and savings funds, and its own employment bureaus, and actively fosters the co-operative movement. Of its total membership, about 125,000 belong to the Agricultural Federation, and it is among them that the co-operative movement is strongest.

Its paid membership in 1914 was 320,858, of whom 195,858 were employed in industry. In 1917 its membership had fallen to 237,560. This decrease was due in part to the disturbing effects of the war, and in part to the attitude of the C. G. L., which adopted a "neutralist" attitude and consistently opposed intervention by Italy in the war.

*The Unione Sindicate Italiana* — Italian Syndicalist Union — is a radical body which split off from the General Confederation of Labor and adopted a purely revolutionary program. It has about 120,000 members. It repudiates political methods of reform, and endorses direct action, the general strike, and revolution in the interest of the working classes.

*Catholic unions*, which are conservative and anti-revolutionary, both in doctrine and action, account for about 120,000 workers, a large proportion of whom are women.

*Independent unions*, which are not organized in any one of the above groups, total about 250,000 members, and resemble the American Federation of Labor in their attitude towards politics. They restrict their activities to the industrial or agricultural spheres in which they are engaged, and aim at economic and social betterment through "fair play" between labor and capital.

*The Italian Labor Union* was formed in 1918 out of 18 of these independent unions, and a number of other federations and local associations. It was founded by the pro-war Socialists, in opposition to the General Confederation of Labor, and favored an interventionist policy.

In January, 1919, this new federation claimed a membership of 162,000 members. Though it favors political action in accordance with the policy of the reformist socialist group to which it is allied, it does so with reservations.

The political organizations of the workers in Italy comprise three distinct groups of socialists, each of which includes a large intellectual and middle-class following.

*The Italian Socialist Party*, which dates in its present form from 1906, is frankly revolutionary in character. It is opposed to participation in the government, and, under the leadership of Lazzari and of Serrati, editor of *L'Avanti*, the Socialist labor daily, has been violently opposed to Italy's participation in the war.

It has about 40 seats in the present Chamber of Deputies out of a total of 508.

Contact is established with the General Confederation of Labor by an organization similar to that of the Joint Board in England. A committee from the Socialist deputies with the officers of the Socialist party sits in joint council with the executive officers of the General Confederation of Labor to determine common action both in Parliament and the Communes.

*The Reformist Socialist Party* was expelled from the former party in 1912, when, as the right wing under the leadership of Bissolati, it opposed approval of the general strike. It was immediately organized and carried 20 seats in the election of 1913. In 1915 it was strengthened by the addition of the more moderate leaders of the Socialist party.

*The Italian Socialist Union* was formed in 1918 at the same time as the Italian Labor Union, in violent opposition to the Italian Socialist party. Its membership is practically identical with that of the Italian Labor Union. Its policy was interventionist, and consequently it has become merged with the Reformist Socialist Party.

## § 5. EMPLOYERS' ASSOCIATIONS IN GREAT BRITAIN

Employers' associations in Great Britain are numerous and, since the war, well organized. They consist of local and national associations in the same industry, and of national federations of several industries. The following are only the leading federations and associations, briefly characterized:



The *Federation of British Industries*, which came into existence in 1916, is a federation of the trade associations connected with the chief industries of the country. Its membership consists of national federations, associations of controlled establishments, and individual firms. In March, 1919, this membership was estimated at 172 trade associations, 15 associations of controlled establishments and 899 individual firms. Its members pay an annual subscription of £100 (\$486). Its purpose is to act as an employers' parliament, representing to the Government and the people the collective voice of industry.

*President:* Sir Vincent Caillard.

*Director:* R. T. Nugent.

*Address:* 39 St. James Street,  
London, S.W. 1.

The *Engineering and National Employers' Federation* is a federation of employers in the engineering or metal trades industry, formed very largely to deal with problems concerning labor, and to negotiate with trade unions. During the war the National Employers' Federation, which had hitherto maintained a separate existence, amalgamated with it. This federation had previously covered such industries as plumbing, hardware, and so forth.

The Federation has an agreement with the unions in the engineering trades covering employment, piecework, overtime, apprenticeship, and provisions for avoiding disputes.

*President:* Sir Allan M. Smith, K. B. E.

*Address:* 24 Abingdon Street,  
London, S.W. 1.

The *Shipbuilding Employers' Federation* is very similar in composition and activities to the Engineering Federation, and collaborates with it on most matters. It also has an agreement with the shipbuilding unions, covering fluctuations in wages, piecework, and provisions for settling disputes.

*Secretary:* A. R. Duncan,

*Address:* 9 Victoria Street,  
London, S.W. 1.

The cotton industry has two federations, one of which contains mainly the master spinners, the other mainly the master weavers of the industry. The former is the *Cotton Spinners and Manufacturers' Association*, the latter the *Federation of Master Cotton Spinners*. Both deal very largely with labor questions, and have a well-devised scheme for handling industrial disputes.

There is also in Manchester an *International Master Cotton Spinners and Manufacturers' Association*, which was composed of representatives from various cotton producing and manu-



facturing countries. To this, however, American federations in the cotton industry were not associated.

*Cotton Spinners and Manufacturers' Association:*

*Secretary:* William Stuttard,  
*Address:* 12 Exchange Street,  
Manchester.

*Federation of Master Cotton Spinners:*

*Secretary:* John Pogson.  
*Address:* Commercial Buildings,  
15 Cross Street,  
Manchester.

The *British Electrical and Allied Manufacturers' Association* is an association of electrical firms, organized in 1905 and reorganized in 1918. Its purpose is to foster and protect the electrical industry.

*Director and Secretary:* D. N. Dunlop,  
*Address:* King's House, Kingsway,  
London, W.C. 2.

The *Association of British Chemical Manufacturers* was founded in 1916, its membership consisting of individuals or corporations engaged in manufacture in the chemical industries.

*Secretary:* Capt. George Mount, D. S. O.  
*Address:* 166 Piccadilly,  
London, W. 1.

The *Woolen and Worsted Trades Federation* consists of a number of local associations dealing primarily with labor questions. It originated in 1916.

*Secretary:* George H. Wood,  
*Address:* 18 Pearl Assurance Buildings,  
Market Street,  
Bradford.

The *Association of British Motor and Allied Manufacturers* is a trade association of individual firms, organized during the war.

*President:* Mr. H. C. B. Underdown,  
*Address:* 39 St. James Street,  
London, S.W. 1.

The *Federated Association of Boot and Shoe Manufacturers* was constituted in 1917 to deal with the problems created by governmental control.

*Secretary:* F. J. Marquis,  
*Address:* 13 Tavistock Square,  
London, W.C. 1.

The *Federation of Master Printers* dates from 1902 and in 1919 consisted of about 100 local associations with about 5,000 members. It has instituted a costing system which is spreading among the employers and has been endorsed by the unions within the industry.

*Secretary:* A. E. Goodwin,  
*Address:* 24 Holborn,  
London, E.C. 1.

Apart from associations organized like the above, and consisting of employers alone, is another association whose membership consists of both employers and employees. This is connected with employers' associations by the facts that its origin has largely to be credited to the Federation of British Industries, and that manufacturers nominate one half of its controlling body.

This *National Alliance of Employers and Employed* was formed in 1917 to promote the active co-operation of employers and employed in the treatment of questions generally affecting labor and employment in all trades and industrial occupations, and to secure the welfare of the industrial workers of the country and the efficiency of its industries.

*Secretary:* A. H. Paterson,  
*Address:* 64 Victoria Street,  
London, S.W. 1.

## § 6. EMPLOYERS' ASSOCIATIONS IN FRANCE

The organizations of employers in France have tended toward the type represented by the Chambers of Commerce in the United States. They have sought to deal with general questions touching the industry as a whole or with questions of trade. Such subjects as freight rates, credit reports, insurance rates, foreign trade conditions, come before them. With the secretaries of each are associated experts to analyze and make available the information that comes in.

Most of them support professional schools, lecture courses, laboratories, etc., issue prizes for special work affecting the trade involved, collect libraries of technical works, and frequently undertake social welfare work in behalf of their members and the workmen in their plants. Bulletins are issued monthly and annually, and they are of the greatest interest as throwing light on the development of the respective trades.<sup>1</sup>

<sup>1</sup> Franco-American Trade, Report to the Manufacturers' Export Association by the American Industrial Commission to France, 1916, p. 86.

They are generally known as employers' syndicats (*Syndicats Patronaux*). The first employers' syndicat was organized in Paris, 1857, and was called the National Union of Commerce and Industry.

Of these employers' associations there were, in 1914, some 4,967. All together their members totaled 403,143, among whom there were 10,300 women members.<sup>1</sup> Industrial conditions during and since the war have given them strength and activity. Your Commission was told that French employers are getting together as never before.

There is another type of organization in France involving the employers. It is called the "yellow" (*jaune*) or mixed syndicat, and is made up of a combination of employers and employees. Of these there were, in 1914, 233 syndicats, with 51,111 members.<sup>2</sup> Relatively weak, the mixed syndicat has still accomplished something in bringing the workman into association with the employer. The purpose of such syndicats is very similar to that of employers' syndicats.

The French employers' associations, being relieved from the burden of a tremendous labor problem, have been free to turn to matters of trade. The Union of Metallurgical and Mining Industries and Affiliated Industries is a leading organization in the world for complete and scientific information. Your Commission met with some representatives of the Automobile Association of France and found them keenly alive to the problems of that industry. They were complacent about handling the labor problem, but matters of finance, imports, raw materials weighed heavily with them.

#### § 7. EMPLOYERS' ASSOCIATIONS IN ITALY

Your Commission found a movement on foot to organize the employers of all the important industries of Northern Italy. We were told that the employers in the metal interests are organized and working together. The textile manufacturers also have their organization. There met in Turin, April 23d, a convention of employers from the entire industrial section of Northern Italy to discuss the question of the eight-hour day and the minimum wage. But, as in France, the labor union problem has not brought them together into a complete organization.

<sup>1</sup> *Bulletin de la Statistique générale de la France*. Tome VII. Fascicule III. April, 1918, p. 134.

<sup>2</sup> *Ibid.*

## CHAPTER V

### UNIONISM IN GREAT BRITAIN

#### § 1. PRESENT TENDENCIES OF UNIONISM

Unionism plays a large part in the industrial situation in Great Britain. It is strong in numbers and well organized. The war has increased its strength, not merely by accretion, but also by leading to greater internal cohesion. Small units have been amalgamated into large federations, and both small and large units have worked towards greater unity in policy and action, with greater striking power as a consequence.

At the same time, trade unionists have acquired a larger sense of their political and social importance. A ferment of unrest, directed mainly against the present industrial structure, but with a definite political reaction, has set in. The workers are demanding a higher standard of living than they enjoyed before the war, which, translated into economic terms, means more pay and more leisure. At the same time, they are demanding a larger measure of control over industry and the nationalization of mines, railroads, waterways, and shipping.

While trade unionism is, in general, recognized as a fact and dealings go on between organizations of employers and trade unions, the general attitude is a source of much perplexity, both to individual employers and employers' associations. A spirit of concession and a desire to amend the evils of long hours and low wages have been met on the part of the workers by demands that make the future of industry in Great Britain one of great uncertainty. Nevertheless, the British Employer, in general, is desirous of settling the problem of labor unrest and of finding a solution that will do justice to both labor and industry.

#### § 2. STRENGTH OF TRADE UNIONS

The strength of trade unionism in Great Britain is measured by figures supplied to the Department of Labour Statistics and published annually in *The Labour*

*Gazette*. The latest figures carry down to the end of the year 1917.<sup>1</sup> At that period there were known to the British Department of Labour Statistics a total of 1,133 trade unions, registered and unregistered, with a membership of 5,287,500, of whom 774,000 were women. Of this total, the general labor group, with 12 unions, had 719,500 members, the railway workers, with 7 unions, had 498,000 members, the coal miners had 85 unions and 918,700 members, and the engineering group 58 unions and 483,600 members. The total figures cited above do not always include members serving with the forces, especially in the case of the unions of less skilled workers. There is reason to suppose — as a rough estimate — that the membership of trade unions in Great Britain at the signing of the armistice was well over five millions.<sup>2</sup> Convincing evidence of this growth is shown in the figures of the English Trade Union Congress, the membership of which leaped from three millions in September, 1917, to four and a half millions in September, 1918. Outside of this group stands the General Federation of Trade Unions, with a membership of a million, while the Scottish Trade Union Congress reports a membership of about half a million.

A certain measure of the degree of organization can be obtained from the statistics of the total "occupied population," or, as the phrase goes in the United States, of those employed in gainful occupations. At the census of 1911<sup>3</sup> the total "occupied population" in the United Kingdom was 20,159,356, of whom 14,307,507 were males and 5,851,849 females "ten years of age and over." Boys and girls between ten and fifteen years of age formed 18.3 per cent of the males employed in England and Wales, and 10.4 per cent of the females. When these are subtracted, and occupations non-industrial in character are excluded, the industrial population of England and Wales over the age of fifteen years in 1911 was less than eight million males and less than four million females. When the figures for Scotland and Ireland, similarly differentiated, are added, the number of males above fifteen years of age engaged in industry was less than ten millions, and of females less than five millions. In that year

<sup>1</sup> See *The Labour Gazette*, 1918, p. 485.

<sup>2</sup> Compare with one made, though unsupported by evidence, in *The Athenæum*, January, 1919.

<sup>3</sup> See census of Great Britain and Ireland, 1911.



(1911) the trade union membership was officially placed at 3,018,000, of whom 275,045 were women.<sup>1</sup> The figures for 1917 suggest an average unionization of between 40 and 50 per cent, a figure confirmed by the Parliamentary Under Secretary of the Ministry of Labour, Sir David J. Shackleton, M.P., in an interview with the Commission.

In treating of this figure it must be remembered that it represents merely an average covering both organized and unorganized trades; and that many trades are highly organized. The extent of organization is also illustrated by the fact that occupations which in the United States have almost no unions are in England highly organized. Thus the agricultural laborers were reported at the Trade Union Congress of 1918 to have had 80,000 members. There is a National Federation of General Workers with a total membership of 700,000. It is the "basic industry" in Great Britain that has been most thoroughly organized. "One half of the trade union membership is in the engineering and shipbuilding industries, textiles, and coal mining."<sup>2</sup>

### § 3. LINES OF DEVELOPMENT

The recent development of trade unionism is of more than historical importance. The war has led to an increase in the numbers enrolled in trade unions. This is shown by the following table. In this, the year 1906 is taken as the starting point, merely because it marks the beginning of the definite activity of the Labour Party. It will be seen that, while there was an increase between 1906 and 1910, there was about the wave of progression an uncertainty which ended in 1912. From thence onwards the increase became noticeable, and grew more persistent and stronger as the war continued.

<sup>1</sup> Labour Yearbook, 1919, p. 302.

<sup>2</sup> Kellogg and Gleason: "British Labour and the War," p. 175. Boni & Liveright, 1919.



TABLE I: MEMBERSHIP OF ALL TRADE UNIONS, GREAT BRITAIN, 1906-1917, WITH PERCENTAGE INCREASE OR DECREASE COMPARED WITH THE PREVIOUS YEAR, AND INDEX OF INCREASE ON BASIS OF YEAR 1906

Year	Membership at end of year	Percentage increase (+) or decrease (-) compared with previous year	Index Number (1906 = 100)
1906 . . . . .	2,128,635	+10.0	100.0
1907 . . . . .	2,425,153	+13.9	113.7
1908 . . . . .	2,388,727	- 1.5	112.2
1909 . . . . .	2,369,067	- 0.8	111.3
1910 . . . . .	2,446,342	+ 3.3	114.9
1911 . . . . .	3,018,903	+23.4	141.8
1912 . . . . .	3,287,884	+ 8.9	154.5
1913 . . . . .	3,987,115	+21.5	187.3
1914 . . . . .	3,918,809	- 1.7	184.1
1915 . . . . .	4,141,789	+ 5.7	194.6
1916 . . . . .	4,399,696	+ 6.2	206.7
1917 . . . . .	5,287,522	+19.1	248.4

This table shows that except for small decreases in 1908, 1909, and 1914, the increase in membership of trade unions has been continuous and large. The last column of the table measures the extent of the increase over the period. Trade unions were in 1917 almost two and a half times as strong in actual membership as they were in 1906.

This general calculation, while significant, does not reveal the specific movement of increase within certain strategic industries. While all trade unions have increased in numbers, some have increased in greater proportion, and their greater strength has altered the center of industrial movement and the trend of trade union development. The situation is depicted in Table 2:

TABLE 2: MEMBERSHIP OF TRADE UNIONS BY INDUSTRIES<sup>1</sup>  
1906-1917

GROUPS OF TRADES	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917
Building . . . . .	196,955	193,720	177,680	162,236	156,965	173,182	203,750	247,894	235,884	232,571	229,272	257,286
Mining and Quarrying . . . . .	572,763	704,664	719,384	722,639	731,305	742,419	757,147	915,884	802,260	844,102	877,694	949,120
Metal, Engineering, and Shipbuilding . . . . .	362,416	377,807	365,134	359,838	370,005	415,176	474,429	543,571	562,092	640,066	695,347	847,202
Textile . . . . .	305,511	357,374	362,540	366,445	379,644	436,927	478,097	520,061	499,833	512,290	530,411	627,919
Clothing . . . . .	59,831	68,833	65,637	65,882	67,185	74,423	91,855	106,075	102,288	113,925	121,656	149,756
Railway Service . . . . .	102,085	138,887	118,713	112,130	116,214	185,573	202,329	326,369	337,082	384,534	424,960	498,263
Transport (land and water)	98,667	110,319	111,329	111,907	129,009	328,025	312,445	374,831	366,137	355,833	378,912	404,846
General Labor . . . . .	109,345	125,136	110,927	111,498	118,745	227,306	251,787	330,300	364,581	452,629	509,083	719,579

<sup>1</sup> See *Board of Trade Labour Gazette*, 1914, p. 283, and *Labour Gazette*, 1918, p. 485.

From this table it may be seen that on the basis of 100 as the index for the year 1906, the groups of trades have increased during the period 1906-1917 in the following percentages:

TABLE 3: INDEX OF INCREASE IN GROUPS OF TRADES 1906-1917. (YEAR 1906=100)

Group of Trades	Index of Increase (Base 100)
Building . . . . .	130.6
Mining and Quarrying . . . . .	165.7
Metal, Engineering, and Shipbuilding . . . . .	233.8
Textile . . . . .	205.5
Clothing . . . . .	250.3
Railway Service . . . . .	488.1
Transport (land and water) . . . . .	410.3
General Labor . . . . .	658.1

A comparison of this table with Table 1 shows that the increase in the building trade and in mining was below the general increase for the period. That in textiles was but slightly below, while in the metal and clothing trades a fairly parallel movement was maintained. A great increase in organization occurred in the railway service, in transport, both land and water, and in general labor. The building trades were never well organized, owing to their casual nature, and even during the war never attained more than 50 percent of their possible trade union strength.

The miners have been strongly organized relatively, since 1907, and the increase in their membership could not, therefore, be so great. While the engineering trades had always been strongly organized, the great increase in munition workers, who may be classified into those trades, led, during the war, to a considerable increase in union membership. The increase within the railway service, transport and general labor was due to other causes which need further analysis.

Since 1911 a strong tendency in the direction of federation and amalgamation has existed within the trade union world. This has been due to a realization on the part of the unions of a great deal of overlapping and duplication in organization, leading to demarcation dis-

putes and to unnecessarily duplicated negotiations. At the same time the need for concentrated activity was urged

“in the face of the growing combination on the part of the employers, and the increasing element of state intervention.”<sup>1</sup>

The Transport Workers' Federation was formed in 1911, and, as the figures in Table 2 show, this action led to an enormous increase alike in the strength and numbers of organized transport workers. The campaign for the amalgamation of three railwaymen's unions into the National Union of Railwaymen was in full swing in 1911, 1912 and 1913, being consummated in the latter year. The negotiations are reflected in the increase in union membership in the railway service during those years. But nowhere have amalgamation and federation gone on so fully as among the various general labor unions. Smaller bodies have amalgamated with larger. Thus, in July, 1918, the Dock, Wharf, Riverside, and General Workers' Union, representing about 100,000 members, was amalgamated with the National Union of General Workers, which had a membership of 300,000. A year earlier, May, 1917, a federation was established among seven unions of general workers, known as The National Federation of General Workers. This movement towards larger and fewer organizations was accompanied by a great increase in the strength of union organization in the ranks of general labor. It should be added that in 1914, just prior to the outbreak of war, a scheme was proposed for an amalgamation between the big general labor unions and the National Transport Workers' Federation.

The crowning achievement of this movement towards federation was the Triple Alliance, finally consummated in December, 1915. This is an alliance among the Miners' Federation of Great Britain, the National Union of Railwaymen, and the National Transport Workers' Federation for co-operative action in support of each other's demands. Its ultimate aim is greater unity, greater certainty, and greater success in industrial action for the purpose of controlling the industries in which their numbers are employed. Its adherents believe that the weight and power it can exercise by a threat to paralyze the economic life of the nation will enable it to secure its aims without striking.

<sup>1</sup> See Cole, G. D. H.: "Introduction to Trade Unionism." Trade Union Series, No. 4. Fabian Research Department, pp. 46-53.

Other steps have been taken to secure greater unity of action. Thus the constituent federation of the Miners' Federation of Great Britain, whose contracts with local groups of employers terminated at various times, have arranged that all contracts shall terminate simultaneously, so that common action may be taken by the Federation as a whole.

Synchronizing with these movements in the direction of greater unity of action have been divergent movements within the trade union world, revealing elements of division and disruption. Some of these have arisen out of dissatisfaction, first, with the results of the political activity of the Labour Party, and, secondly, with the principle of political action. It is charged that the Labour Party, after more than ten years in Parliament, has achieved little for the worker.

It is held, that more can be obtained by the use of the economic strength of trade unions and by their power to strike. Unionists holding this view have devoted much effort to the amalgamation of laborers into one general industrial union. This one big union, containing all the workers in all industries, without regard to craft or degree of skill, could ultimately control production. It is this principle which led to the formation, and which dominates the aims, of the Triple Alliance. Its influence upon the position and influence of the Labour Party is seen in the published accounts of the recent conference of that party at Southport. At that conference, against the advice of experienced Parliamentary leaders, it was resolved by a vote of two to one, to call upon the Trade Union Congress to take "industrial action" to compel the British Government to abolish conscription and withdraw its troops from Russia.

It is evident, therefore, that a strong and almost unchecked tendency exists in British trade unionism to turn aside from political action, and to use more direct and more militant methods.

The significance of this tendency does not lie merely in its method or its ultimate purpose, but in the fact that it has arisen from the members rather than from the leaders of trade unions. The movement, both towards federation and amalgamation, and towards industrial unionism, springs from the "rank and file."

It has one of its material causes in a loss of confidence in trade union officials. The latter are being reproached as too conservative and bureaucratic. They are said to be too far removed from local conditions and from the problems of the workshop. Though formerly workers themselves, they have been so long out of touch with actual factory conditions that they are deemed incompetent to discuss changes in processes and their effects upon terms and conditions of employment. Whether these charges are true or not, the fact remains that a considerable section of trade unionists are dissatisfied with the leadership of the trade union executive officials.

This movement, though not created by the war, was intensified by it, and given wider opportunities for its manifestation. It has shown itself in two ways. In the first place, it produced a number of strikes in violation of agreements made by the responsible trade leaders. From the famous strike on the Clyde, in February, 1915, to the Glasgow strike of January, 1919, this spirit of revolt disturbed both the industrial and the trade union world. In the second place, it resulted in the election by the workers in the shops and factories, of shop stewards, responsible, not to the trade unions, but to those who had chosen them. While trade unions had long been accustomed to appoint shop stewards to carry out specific functions, these shop-elected stewards, with their pretensions to a more representative position than the executive officials of the unions, were a divisive element within the trade union world. Further, their characteristics, aims, and purposes are even more significant than their unconstitutional relation to the trade union movement. Most of them are theorists; some are industrial unionists, as above defined, while others are "national guildsmen." All of them stand

for a greater element of control over industry by the workers through their industrial organizations, for a greater element of trade union intervention in workshop management, for a bigger say on the part of the rank and file workers in determining the conditions of their working lives.<sup>1</sup>

A full discussion of the shop steward movement showing its origin, development, and significance is given in a later chapter.

<sup>1</sup> Cole, G. D. H.: "Introduction to Trade Unionism," p. 56.



#### § 4. INDUSTRIAL UNREST

Our survey has suggested the presence of much unrest within the British Trade Union world. Many factors have tended to produce this result. Some of these were specially connected with the war and its widespread consequences. Thus the fact that the cost of living in Great Britain had advanced faster than the advance in wages has been the most widespread cause of unrest. The restrictions on personal freedom caused by the operations of the Munitions of War Act, and the blunders of Government departments in the administration of the manifold matters connected with the war have created a want of confidence in constitutional methods and orderly procedure that is the seed-bed of revolutionary agitation. The feeling, engendered by the suspicion of much profiteering, that inequality of sacrifice had prevailed, the widespread want of housing accommodation, and a discussion of the ugly and unsanitary conditions under which many lives are being spent, have led to a widespread revolt against existing social conditions.

Behind all this industrial unrest is the expressed aim of the workers of England for a higher standard of living. They are no longer content with the low wages and long hours of the pre-war period. They are demanding, not merely wages commensurate with the increase in the cost of living, but wages which will improve their economic position and enable them to realize a higher standard of life. To this end they consider that every worker should be granted by law a standard minimum wage. They are demanding also the reduction of working hours, and the abolition of systematic overtime, so as to give the workers more hours out of the shop.

This demand for higher wages and shorter hours is seldom accompanied by recognition of the economics of the situation. Thus, a demand is made not merely for a week of 48, but for one of 44 or 40 hours. This latter and more extreme demand is supposed to be based on the fear of unemployment. It was urged, for instance, in the Glasgow strike of January, 1919, that a reduction to 40 hours was necessary to afford employment for demobilized soldiers. This argument reappears often in connection with the shorter week, though, it must be noted, it is seldom heard in the speeches or seen in the writings of labor leaders. Again, the demand for higher wages is not associated with that increased production out of which

alone the higher wages can be met. In this respect the situation in British trade unionism differs widely from that reflected by the motto of M. Léon Jouhaux, secretary of the French General Confederation of Labor — maximum production in minimum time for maximum wage.

In fact, the fundamental reason for labor unrest and the most significant characteristic of British trade unionism today is its challenge to the present system of industry. It is aiming at a vast extension of public ownership and at a larger measure of control over industry. Through public ownership it believes that the economic waste of competition will be eliminated, and, along with the profits now realized by individuals, made available to the workers in the form of higher wages. A larger measure of control over industry is regarded as the necessary correlate of the extension of democracy to the economic sphere.

This challenge to the present industrial structure furnishes a part explanation for the frequency and violence of many strikes. Men of narrow vision and much theory, as many of the newer type of shop stewards are admitted to be, are certain to lean to violent methods. They would overturn before rebuilding. They reject compromises and assume militant attitudes. One of the leaders of the Coventry strike in December, 1917, writes in the following extreme socialistic strain:

It should be obvious to the ordinary thinking man or woman that the time has arrived when we should organize ourselves on a class basis, and not one of craft, and work shoulder to shoulder, men and women, with one common object in view — that of fighting the capitalist class, who have divorced the workers from their rightful ownership of the means of life.

Their appeal is to the class war, — “the only war that really matters,” as they phrase it.

But the attitude of other elements in British labor is quite different. They realize that the changes involved in their large program of reconstruction can only come slowly. They recognize that there are differences among industries that need to be considered, and that will determine when and how the suggested policies should be applied. They have no intention of killing the industry in which they are engaged, and concerning the economic position of which many of them are well informed. They are quite radical in aiming at nationaliza-

tion; they are buoyed up by the hope that a spirit of public service may be created to take the place of self-interest, and they believe that such a spirit must be the product of education and morality. The majority of workmen have no liking for revolutionary methods. On the contrary, they support the principles of law and order. They prefer peaceful methods of settling disputes. They co-operate with employers in various ways and meet them or their representatives to adjust difficulties. Statements made to the Commission show the extent of this tendency:

The Federation has been able to deal with, and agree with, the leaders of the union. The leaders of the unions were in general able to discipline the men. The secretaries of the unions were able to keep members well in hand; . . . there were no serious strikes during the war.

The traditions of the Steel Smelters' union were all in favor of peaceful bargaining with employers, high wages, and no labor restrictions.

Mr. W. A. Appleton, late secretary of the General Federation of Trade Unions, remarked:

Among the rank and file there is a spirit of the sportsman and a desire not to do anything unfair or unjust.

Mr. A. H. Paterson, secretary of the National Alliance of Employers and Employed, gave the following judgment of the forces that could be relied upon to preserve the balance:

The shrewd common sense of the British workman was an infallible safety valve. . . . The Britisher, whether employer or workman, was an individualist in thought, and individuals and unions can be relied upon to act upon their own judgment.

While there is much evidence in Great Britain of the strength of an organized minority trying to control the unorganized majority, the sober common sense, stubborn individualism, and love for ordered and steady development can be relied upon. This has already been shown in the reaction to the "industrial action" resolutions of the Labour Party conference at Southport. The Parliamentary Committee of the Trade Union Congress declined to endorse them. The annual conference of the Miners' Federation in July, 1919, also refused to allow its executive officials to call a strike without a ballot of the members.

On latest advices, the leaders of the Triple Alliance have decided not to attempt a referendum of its members, as suggested by the annual Conference of the Miners' Federation.

## § 5. LABOR DEFINITION OF COLLECTIVE BARGAINING

The chief method of trade unionism in achieving its ends and purposes is that of collective bargaining. This term is defined in an official English publication thus:<sup>1</sup>

Those agreements under which the conditions of employment are governed by the terms of a bargain made between employers or associations of employers and a group of workpeople employed by them, or an organization of which these workpeople are members, and which represents their interests (as opposed to those cases in which these conditions are arranged between an employer and the different workpeople whom he employs, separately).

This definition involves the ambiguity pointed out previously in an analysis of the term.<sup>2</sup> It was there shown that a more accurate expression for the essential principle of collective bargaining is representative bargaining, and that the real issue in practice is the entrance of an outside party, a union official, as a representative of the workmen in a shop. Collective bargaining, in the sense of group-bargaining and as contrasted with individual bargaining, can be had without the existence of unions.

It is clear, however, that the basis for collective bargaining is laid in organization, and it is obvious that the strong organization of trade unions described above provides the opportunity and the machinery used in many trades for obtaining trade agreements. Much of the machinery in use is identical with that to be described later, under the caption "Conciliation and Arbitration," this machinery being intended for positive use in furthering trade agreements.

This sort of negotiation often commences with local or district unions. But the large amount of federation and amalgamation previously described has made agreements

<sup>1</sup> Great Britain, Board of Trade: Report on Collective Agreements between Employers and Workpeople. London, 1910, p. 11.

<sup>2</sup> Cf. Introduction, pp. 7-9.

in most industries nation wide in character, and has constituted the national executive of the trade unions the supreme agent and the final court of appeal in this kind of collective bargaining. Without its consent or that of the district executive, no group of trade unions is allowed to make agreements on the major matters involved in the terms of employment, though local and specific matters may be dealt with by the subordinate bodies.

The major subjects dealt with are those of rates and methods of remuneration and hours of labor. Other matters covered in these agreements are: the number of men to be employed, the distribution of work in slack times, the enticing away of workmen, demarcation, restriction on apprentices and youthful labor, and a multitude of details sometimes minor in degree or specific to the industry.

During the war, there has arisen an inevitable development in the direction of simple, non-union collective bargaining within the workshop, — not necessarily in opposition to the methods or the arrangements of district and national trade union executives, but with more direct reference to the specific problems of the establishment. This has arisen from the creation of Works Committees which, among other functions, have negotiated with foremen over particular piecework prices, bad material, defective machinery, and so forth.

## § 6. CONCILIATION AND ARBITRATION

For the settlement of disputes between workers and their employers, the unions have naturally not been favorably disposed towards any intervention from outside which interfered with their own influence. Such intervention has come from legislation and governmental action.

The machinery created by Government consisted first of a permanent court of arbitration set up in 1908, and an industrial council created in 1911. These contained equal numbers of employers and workers, and submission of disputes to their mediation was entirely voluntary.

The exigencies of the war situation, however, brought about a form of compulsory arbitration. At the Treasury agreement of March, 1918, between the Prime Minister



and representatives of the trade unions, the latter, except the Miners' Federation, agreed to prohibit strikes and to submit all disputes to some form of arbitration. The Munitions of War Act, passed in June, 1915, placed the determination of this machinery of arbitration under the Board of Trade, specifying that the award on any such settlement should be binding on both employers and employed.

About the same time, a strike in Glasgow over wages led to the formation of a Committee on Production whose prime purpose was to stimulate production. This committee, in considering stoppages of work, recommended that any differences arising between workers and employers should be referred to an impartial tribunal nominated by the Government. The Government replied by conferring on this committee of three persons the powers they asked for. The committee, therefore, became a court of arbitration rather than a committee on production. Its personnel was, later, increased to 9 and afterwards to 12 members consisting of 4 chairmen representing the public, 4 employers, and 4 labor representatives. It sat in groups of three, each in the capacity of an arbitration court. Its activities, which were terminated on November 21, 1918, show it to have been the most active of the conciliation agencies of the country since its formation. It was on the lines of its composition that the Whitley Committee drew their proposal for a standing arbitration council.<sup>1</sup>

The Munitions Act was responsible for the creation of another measure of compulsory settlement of disputes. By its provisions there was created a special tribunal for each munitions area, consisting of a government nominee as chairman, with two assessors, chosen from lists of employers' and employees' representatives constituted by the Minister of Munitions. Where women formed a large majority of the workers, a special court was created for them, on which a woman sat as the employees' representative.

By an act, the Wages (Temporary Regulation) Act, passed on November 22, 1918, Parliament provided machinery to replace both the Committee on Production and the munition tribunals. As defined by the Minister of Labour,

<sup>1</sup> See the Whitley Committee: "Report on Conciliation and Arbitration."



the main purpose of the new act is to secure the maintenance for a period of six months of the minimum wages generally applicable at the date of the signing of the armistice, . . . except in so far as these minimum wages are varied by arbitration or by agreement.

Wages above the minimum rate were to be subject to negotiation, and as machinery for negotiation the act provided interim arbitration tribunals, which replaced the Committee on Production and the munitions tribunals. Disputes were to be submitted to these arbitration courts only by the Ministry of Labour, and only when both parties had jointly agreed to such submission. The awards of these tribunals were binding on these parties.

In general, these measures of compulsory arbitration were disliked by trade unionists. In common with the employers, they preferred to discuss the problems of their industry only with those familiar with its conditions, and hated restraint upon their freedom of action. Before the war, the machinery of conciliation and arbitration established by governmental agencies had been aided by voluntarily created boards composed of equal numbers of employers and employed. Thus, the Board of Trade, which was the government agency for mediation in disputes, and dealt in 1913, the year before the war, with 99 disputes, was supplemented in that year by the work of 325 voluntary conciliation boards and standing joint committees. In this pre-war period there had been established conciliation boards in such industries as coal mining, iron and steel, engineering, shipbuilding, boot and shoe, cotton and building trades. During the war, some of these remained in existence, while the Committee on Production was used as the medium to which the majority voluntarily referred their differences. Industries which fell under the control of the Committee on Production were often characterized by special agreements between employers' federations and the unions as to the periods and terms under which they would refer their complaints to the committee. Agreements on these lines were entered into in the engineering and foundry, chemical, ship repairing, dock labor, building, soap, and candle industries and trades.<sup>1</sup>

<sup>1</sup> See Memorandum on Proceedings of the Committee on Production, May, 1917-April, 1918 (Cd. 9126) and May, 1918-November, 1918 (Cd. 70).

## § 7. STRIKES AND LOCKOUTS

In the achievement of its ends trade unionism uses militant as well as conciliatory measures. The militant are the more obvious and the more susceptible of measurement. The number of strikes and lockouts is carefully tabulated year by year. The following table summarizes them according to number of disputes, number of work-people involved, and the total number of working-days lost, since the year 1906.

TABLE 4: NUMBER OF DISPUTES BEGINNING EACH YEAR, NUMBER OF WORKERS INVOLVED AND AGGREGATE WORK-DAYS LOST, GREAT BRITAIN, 1906-1918<sup>1</sup>

Year	Number of disputes beginning each year	Number of workpeople involved	Aggregate work-days lost each year
1906 . . . . .	486	217,773	3,028,816
1907 . . . . .	601	147,498	2,162,151
1908 . . . . .	399	295,507	10,834,189
1909 . . . . .	436	300,819	2,773,986
1910 . . . . .	531	515,165	9,894,831
1911 . . . . .	903	961,980	10,319,591
1912 . . . . .	857	1,463,281	40,914,675
1913 . . . . .	1,497	688,925	11,630,732
1914 . . . . .	999	448,529	10,111,337
1915 . . . . .	674	445,936	2,969,700
1916 . . . . .	581	284,396	2,599,800
1917 . . . . .	688	820,727	5,513,900
1918 . . . . .	1,252	1,096,828	6,237,100

Analysis of this table shows how much labor unrest existed prior to the war, culminating in 1912 in a number of serious and long continued strikes. The year 1914 promised to surpass all but the year 1912. During the first seven months of 1914 there were 836 disputes affecting 423,000 workers. The industrial truce which followed the declaration of war reduced the disputes for the remainder of the year to 137 in number, affecting only 23,000 workers. The industrial truce, however, existed only in name, though the strike record for the years 1915, 1916, and 1917 showed some diminution in numbers, duration, and intensity of strikes. The year 1918, however, was stormier than any year except 1913. The majority of disputes in 1918 were over demands for advances in wages, though a large proportion of the remainder were over trade union

<sup>1</sup> From *Labour Gazette* and official publications for years mentioned.

questions. It is obvious that, as the war progressed, the strike and forcible methods for redress of grievances were coming into greater favor.

Comparison of the early months of this present year (1919) with that of the previous year only tends to strengthen the impression that British labor is becoming more and more militant. A statement of comparison between the first five months of the two years 1918 and 1919 follows:<sup>1</sup>

TABLE 5: COMPARISON OF TRADE DISPUTES, GREAT BRITAIN, JANUARY-MARCH, 1919, AND JANUARY-MAY, 1919, DIVIDED ACCORDING TO GROUPS OF TRADES, AND NUMBER, EXTENT, AND DURATION OF DISPUTES<sup>2</sup>

Groups of Trades	January to May, 1918			January to May, 1919		
	No. of disputes	Number of workpeople involved in all disputes in progress	Aggregate duration in working-days of all disputes in progress	No. of disputes	Number of workpeople involved in all disputes in progress	Aggregate duration in working-days of all disputes in progress
Building . . . . .	63	30,000	249,000	58	8,000	91,000
Coal Mining . . . . .	39	82,000	417,000	100	522,000	2,506,000
Other Mining and Quarrying . . . . .	5	1,000	13,000	10	2,000	28,000
Engineering and Shipbuilding . . . . .	123	69,000	411,000	92	224,000	4,129,000
Other Metal . . . . .	46	42,000	211,000	65	38,000	256,000
Textile . . . . .	20	23,000	111,000	24	18,000	114,000
Clothing . . . . .	22	5,000	74,000	27	11,000	102,000
Transport . . . . .	22	4,000	20,000	50	41,000	176,000
Other Trades . . . . .	80	23,000	160,000	110	31,000	323,000
Local Authority Services . . . . .	31	5,000	34,000	45	5,000	46,000
Total . . . . .	451	285,000	1,700,000	581	900,000	7,771,000

By inspection of this table, one sees that the disputes were not much greater in number in 1919, but involved more workpeople and a much greater loss in workdays. The division by groups of trades shows unmistakably that the two storm centers of British industrial life at the period of the Commission's visit were in coal mining and the engineering and shipbuilding trades. Most of these disputes, too, were over questions of wages.

<sup>1</sup> See the *Labour Gazette*, June, 1919, p. 245.

<sup>2</sup> *Labour Gazette* and official publications for years mentioned.

## § 8. ATTITUDE OF BRITISH EMPLOYERS TOWARD UNIONISM

Group attitude on any subject is a composite; it is not single or simple in character. Inevitably, too, shades of opinion find varying expression. An organized minority will have the best channels of communication. On such a problem as trade unionism, it is the undercurrent of individual opinion that is most significant. The employer in his office does not "talk for publication"; his is the attitude of the man who must meet from day to day the problems of management; he knows the "human element" in every such problem. Your Commission lays most stress, therefore, on such interviews. But, all in all, the endeavor has been to get the essential elements in the situation and to give them due weight.

The first point to keep in mind is that not all British labor is organized. There are, perhaps, about five and a half millions of workmen, including women, who are members of unions, out of a possible fourteen millions. This leaves a fair majority outside of any labor organization. The Whitley Commission, for example, found it necessary to divide British labor into three groups: (1) workers in those industries in which organization on the part of employers and employees is sufficiently developed to render their respective associations representative of the great majority of those engaged in the industry, (Group A); (2) industries in which, either as regards employers or employed, or both, the degree of organization, though considerable, is less marked than the first group (Group B); (3) industries in which organization is so imperfect, either as regards employers or employed, or both, that no associations can be said adequately to represent those engaged in the industry (Group C).<sup>1</sup>

Furthermore, about one half of the total number of unionized workmen are in the basic trades, coal mining, shipbuilding, engineering, and textiles.<sup>2</sup> There are many British employers, therefore, who do not have to face the problem of unionism, who have had no experience with it, and who probably have only an instinctive snap judgment on it. There are others who have long had this problem before them and who have faced the fact of a labor force unionized upwards of 95 per cent of its total possible

<sup>1</sup> Great Britain. Ministry of Reconstruction. Committee on Relations between Employers and Employed, p. 7. London, 1918.

<sup>2</sup> *Ibid.*, p. 59.

strength. Between these two extremes there are numberless gradations. A condition of this kind would make almost inevitably for a wide divergence in point of view. Herein also becomes patent the error in speaking of British labor, without qualification, as if it were wholly organized. Nevertheless, relative to France, Italy, and the United States, British labor is highly organized.

It seems to your Commission fair to say that in those industries where unionization is concentrated, British employers as a general rule are facing the facts. Those industries have gone on, are still going concerns, with organized workmen. A *modus vivendi*, a working basis, more or less satisfactory, but sufficient to get on with, has been developed. This is indicated not only by the fact that business has gone on, but also by the fact that the union rules and regulations, the "network of restrictions" had to be accepted by the management. The very difficulty that the unions have had in establishing this network, the very reluctance with which they gave them up even in a dire emergency, demonstrates the fact that employers did not welcome them; and, since the primary motive for organization of unions was to establish them, it follows that the employers did not welcome the unions.

The divergent attitude of employers appears also within the group of industries with highly organized workers. A representative of a famous engineering firm said to the Commission that he

"very strongly advised that American employers keep clear of union conditions as long as physically possible. We do not advise collective bargaining [i.e., recognition of the unions], because it is a constant source of annoyance and many petty matters are brought in which otherwise would be forgotten."

The general superintendent of a large engineering firm

very emphatically urged the American employers to keep away from collective bargaining or any other moves that would facilitate unionization. If employers will broaden their attitude toward workers, the unions will find trouble in getting members.

Another prominent employer declared:

"Personally, I will fight the workers' pretensions. I will not compromise; any manufacturer who compromises is yielding on principles vital to industry."



And still another shade of opinion was expressed by an employer who said that

in dealing with their own employees they had been able to get on with them better by themselves than by working through larger (labor) organizations.

Said another:

“The employer must do one of two things; either put his own house in order and try to do the straight thing by the laborer so that unionism is not necessary, or deliberately court unionism. Undoubtedly the first method is better.”

Or this individualistic attitude:

Where employers prefer to deal with organized labor let them go their own gait, but the right thing to do is to so handle the situation that the necessity for unionization shall not exist.

Another manager in Lancashire said:

“The present methods of collective bargaining are absolutely the only way to handle the relationships between employers and employees. It should be realized, however, that this method is only a temporary expedient, to be followed only until a more correct plan, ethically, can be developed.”

A works manager in the same locality

was heartily in accord with the union methods of handling the relations between employers and employees.

A works manager, with experience of both American and British conditions, remarked:

Officers of employees' organizations can influence them better than if such organizations did not exist. I was strongly anti-union before coming to England, but my experience has convinced me that control of labor through organizations is the right way, and I have found that shop organizations can be handled more successfully by the works managers than if they were not organized.

These interviews illustrate the various shades of opinion held by individual employers in the industries where labor is highly organized. They show, too, how difficult it is to make an unqualified statement in regard to them. Individual attitudes can be generalized only where they are known to represent fairly the best judgment of the em-



ployers and cover all conditions. Your Commission states the fact that practically every individual employer interviewed by it was opposed to the complete unionization of labor, and for practical reasons to be stated later on.

There appears to be a decided tendency on the part of employers' associations, both in the interviews with your Commission and in published statements, to express a friendly attitude towards responsible organizations among workmen. Thus, the secretary of one of the most important industries in England gave the following testimony in an interview:

The secretary spoke cordially of the relation between the federation (of employers) and the trade unions in that industry. The leaders of the unions were in general able to discipline the men. In this respect, the constitutional leaders of the unions received the full support of the federation. When any union broke away or when internal trouble arose, the federation refused to deal with any disputes resulting therefrom until the union leaders had sent their men back to work.

The secretary of another employers' federation expressed

his confidence in the present methods of collective bargaining with the unions, and also in the leaders of the unions. . . . He stated that the employers are well satisfied with the present plan of collective bargaining.

A representative of a textile trade employers' association told the Commission that

Employers and employees are equally well organized so that the industry enjoys the advantage of having a strong group on each side to represent them. . . . The labor aspect of the industry is seen in the harmonious relations with employees.

Some employers' associations, such as the Federation of Lace and Embroidery Employers' Association, Federation of Master Printers, Midland Master Hosiery Bleachers, Dyers, and Finishers' Association, have incorporated under the law as trade unions in order to take advantage of the British laws favorable to such organizations.

Here is clearly a palliating, conciliatory attitude, and it is in marked contrast with the divergent views of individual employers. Apparently, organized employers want to put themselves on record as being just and reasonable in their attitude toward labor problems. In

general, too, it seems, employers' organizations are willing to meet with responsible labor organizations. Whether or not such a policy has received unanimous endorsement from the membership is another question. Most likely there are diverse opinions within employers' organizations as well as within labor unions. It is an authorized policy, however, and has not been challenged.

The attitude of the British Government, as expressed through the Industrial Council of the Board of Trade, 1913, composed of an equal number of employers and labor leaders, through the government proposal of the Whitley Councils, and through public statements by the Minister of Labour, has clearly been friendly toward labor organizations. There can be no doubt that it is the policy of the Government to seek for a responsible, organized body among workmen with which to deal. In this attitude there is also a political element, as will be shown in discussing the Whitley Councils and the Industrial Conference.

The facts given in the preceding discussion demonstrate how difficult it is to express in general terms the British employers' attitude toward unionism, and at the same time give due weight to each shade of opinion, to varying conditions, and to diverse motives. It is a situation that changes with each new experience. But your Commission has endeavored, to the height of its ability, to select the most significant and representative items and to give them a just evaluation.

The most potent influence in the attitude of British employers toward labor organizations today is their war experience. In all our interviews we were impressed by the conviction of British employers, freely spoken and strongly emphasized, that the grave situation which has now arisen between employers and employees is mainly due to the neglect by employers for years past of a proper interest in their employees. There is now no question as to their being awake to the situation and as to a desire to correct the wrongs of the past in a fine spirit of humanitarianism and fair play; and they recognize that their workers should have greater opportunities and better conditions of life. Many of them are conscientiously engaged in trying to find the means to bring about this end.

It must be stated emphatically, however, by your Commission, that practically all the individual employers

interviewed in Great Britain strongly advised against complete organization of employees or the urging of any policy which would lead to that end. They did not favor a development of labor unionism, because of the practical difficulties in securing a conservative attitude of mind among labor leaders. They would welcome, however, and co-operate with a moderate and conservative unionism. As Sir Allan Smith, himself an employer, said to the unionists, at the first meeting of the Industrial Conference, February 27, 1919:

“You are under an absolute misapprehension as to the attitude of the employers in the present state of difficulty and unrest. Many of the employers are prepared to go much further in the amelioration of the conditions under which you work than some of you have any idea of.”

The principle of organization *versus* organization seems also to be well established. Employers' associations, by interviews through their officials and by statements through the press, have endorsed the program, in certain industries at least, of a complete organization on both sides, by employers and by workmen. A large part of this endorsement is undoubtedly due to a direct faith in the ability of organizations to create responsible parties to a trade agreement and to the practical necessity, where industries and work groups are large, of dealing not individually but through group representatives. A part, however, is due to the exigency that arose in the Shop Steward Movement, necessitating the choice of the less of two evils. This is explained fully in the chapter on Shop Stewards.<sup>1</sup> Another part is due to the pressure of Government in the war emergency, where it was compelled to deal with employers and employees in large groups. This is demonstrated in the proposals for the Whitley Councils and the Industrial Conferences, as explained later.<sup>2</sup> It is an opportunistic acceptance, like many other industrial experiments, and not a calmly reasoned and accepted policy.

No small item in the British employer's attitude is his stubborn and persistent individualism. There is, on the one side, a feeling that may be expressed by saying that an employer believes his shop is his castle and that he has an inalienable right to manage it as he wills. It

<sup>1</sup> Cf. pages 123-37.

<sup>2</sup> Cf. Chapters XVI, XVII.

is his problem, and he may be relied upon to handle it with firmness and justice. In so far as this feeling extends, he resents all encroachments by unions or by the Government upon what he believes to be his prerogatives. There is, on the other side, and developing from the same source, the feeling that once the rules and regulations of trade unions have been established, once involved in the network of restrictions, once adjusted to the "harness," and business still goes on, there is no need to change. "Don't stir up a hornets' nest." Undoubtedly, this characterizes a goodly number of British employers. It would lead them to say that such a situation should be avoided, if possible, but once involved in it, one must make the best of it; it might become worse.

The British workman, in a country with a surplus of labor, has his haunting fear of unemployment. The British employer, in an industry highly unionized, has his haunting fear of radicalism. An organization that is safe in the hands of reasonable, steady, and conservative leaders becomes a menace in the hands of irresponsible leaders. The Triple Alliance and the Miners' Federation have been showing the reason for such a haunting fear among employers. So likewise the "rank and file" movement and the "unauthorized strike." The British employer, generally speaking, is loath to let a movement get started until he sees where it may lead to. He states as his belief that the great mass of workmen are normally reasonable and conservative; that many who are members of unions take no really active part; that at the final moment of definite action, if not before, the majority will stop to ask whither they are going; that this same group will respond readily to a fair, courageous, unequivocal attitude on the part of employers; that they are not Bolshevistic unless stampeded by the wrong kind of leaders.

Nevertheless, he has this ever present fear that radical leaders may dominate the unions in this period of widespread unrest, and that if this happens, an industrial catastrophe is inevitable. The British employers are just beginning to sense definitely the fact that socialistic preaching, carried on with persistence from the "soap boxes," by pamphlets and newspapers, through books and periodicals, has seeped into the thinking of many workmen, and that the effects of this preaching are to be seen in the radical attitude of trade union leaders

today. Here is a two-edged sword. The agitators need to be held in check, to be disciplined by common sense and sober judgment. A strong organization led by the right kind of men could do this. But organization of workmen gives greatly increased power for evil as well as good, and the risk of this organization being dominated by radical leaders arises. This, too, is a part of the British attitude.

The real issue, however, of the trade union problem in the mind of the generic British employer is the introduction of an outsider, a third party, to act as a representative of his own workmen in the matter of collective bargaining. He objects to governmental interference in the management of his business; but he objects much more, and on principle, to a union representative from outside the shop. To the Government and to the outside union representative he says: Let me alone so that I can deal with my own workmen. We know the problem as no one else can know it. It is mutually ours. We can find a way out.



## CHAPTER VI

### EMPLOYERS' ORGANIZATIONS

#### § 1. BASIS OF THE REPORT

During its stay in Great Britain, the Commission sought to obtain information about the nature and extent of the co-operation which exists among employers. Any full and complete study of the situation was impossible. The subject was a virgin field for investigation, and called for much patient inquiry. The number of associations in existence was too great for study in so short a space of time. In 1914 they were reported to amount to no less than 98 federations or associations national in scope, with 1,460 local associations.<sup>1</sup> At the date of our inquiry they were obviously more numerous, since the Federation of British industries alone reported a total of 169 associations, mostly national in scope.<sup>2</sup>

It was possible, however, for brief interviews to be held with the secretaries or directors of several of the federations or national associations that were located in London or in one or two provincial towns. In all, twenty-four interviews of this nature took place. In addition documentary material was sought, but in few cases did this give a living picture of the employers' associations concerned. Much of the evidence thus obtained was scattered and fragmentary. Material of this order was secured in regard to thirty-seven associations in all. No investigation was made of local associations.

#### § 2. IMPULSE TOWARD CO-OPERATION

In general, the impulse toward co-operation has lain in the sense of common interests. Wherever an association or federation has been formed, the furtherance of the interests common to all members of the industry or trade has been given as its chief impulse and aim.

<sup>1</sup> Seventeenth Abstract of Labour Statistics of the United Kingdom, 1915, p. 197. Quoted in: *British Industrial Experience During the War*. Part III. "Manufacturing Industries," by W. Jett Lauck, p. 930. (Senate Document 114, 66th Congress, First Session.)

<sup>2</sup> See page 64, *ante*.



The significance of this obvious principle lies in the fact that co-operation was never effective until this sense of common interests was aroused. Such recognition was singularly slow in asserting itself in Great Britain. An excessive individualism has been characteristic of British industry in the past. Employers were suspicious of their fellow employers. They declined to share ideas with them, fearing that by doing so they would injure their own business.

British manufacturers in years gone by were extremely individualistic and would not co-operate with one another on any subject whatever.

. . . the reason why federation has not been as fully adopted in this country as in others. I think it is principally owing to a sense of exaggerated individualism.<sup>1</sup>

This attitude of suspicion and fear was often discussed with representatives of the Commission by manufacturers who were familiar with the United States. An English cotton manufacturer told how he had years ago visited the New England cotton centers under the guidance of mill managers who were taken into the mills of rival firms and shown new machinery and new processes without hesitation or fear. Such friendly action would have been impossible at that time in Great Britain.

But the war had altered this spirit of mingled fear, suspicion, and exaggerated individualism. A common national danger and a common opportunity to serve the nation impelled employers towards co-operation. Industries, like the chemical and electrical, found that German competition in pre-war days had weakened them internally and reduced their capacity to serve the nation at strategic industrial points. The national danger was a stimulus and impulse, while the added wealth and efficiency which resulted from removing German competition and overcoming the handicap it had imposed, furnished the material basis for co-operation.

Government action during the war had operated powerfully to compel co-operation. In some industries the whole supply both of raw materials and of manufactured products was brought under control. Supplies of such products as leather, wheat, and wool were limited and their distribution strictly regulated. But control

<sup>1</sup> See Report of General Meeting of Federation of British Industries, October and December, 1918.

went even farther. When the output of a factory was requisitioned, the manufacturer was paid the cost of production, plus a reasonable profit. To enable this profit to be calculated, manufacturers were required to furnish information as to output, cost of production, and profit during previous years, and to submit to a census of machinery, labor employed, productive capacity, and supply of raw material. The method of control, which was often in the hands of civil servants quite unfamiliar with the industry, aroused much criticism from manufacturers. It was out of such circumstances that the Wool Textile Association, for instance, arose in 1917, and confronted the Central Wool Advisory Committee set up by the War Office with a demand that the control of wool should be taken out of the hands of officials and placed under a board of practical men.

The extent of government control and the possibility of its continuance after the war have stimulated a certain amount of association in self-defense. This motive is seldom avowed, except in the case of the Imperial Commercial Association, founded in May, 1918. This association gives the following three reasons to justify its formation.

- (1) Business men are menaced by rapidly growing State Departments (they numbered eighty, January, 1919) armed with autocratic powers which are being used to cut down and impair a commercial system which is the outcome of centuries of individual effort and enterprise.
- (2) Business men are being forced to disclose their methods of business, sources of supply, and customary markets, to their detriment.
- (3) The state as a trader stands self-condemned, through inefficiency and gross prodigality.

While this association is more largely commercial than industrial, its action and motives reflect the attitude present in some of the employers' associations.

Government control, however, did not necessarily stimulate the motive of defense. In many cases, co-operation with the national Government was a more potent motive to trade association. The milling trade, which was called upon to handle a difficult food situation, was converted from a voluntary trade association into a federation that could act as a whole. In the boot and

shoe trade a similar result was achieved. Before the war this trade was one of the most individualized.

In 1914 it had no common standard of production, no common basis of costing; it had not established any definite principles of factory management; it had no common policy for supplying its home customers or for developing oversea markets.

But with the war came governmental control of the supply of raw leather and hides, governmental requisitioning of all products, and pressure for a large quantity of durable products of a high quality. Response to this demand compelled the best firms to educate inferior firms in efficiency.

In all the local centers costings committees met and pooled their knowledge; and on a national committee the leaders associated and shared the experience of their own district. . . . The trade found itself able to consider its problems with a breadth of vision and a courage undreamed of in the days of peace. It had in fact become a federation.

On this basis of practical co-operation, the formation of a federation of these local associations was a simple matter.

### § 3. DEMAND FOR REPRESENTATIVE BODIES

In another way, the pressure of the war tended to make association among employers more complete and extensive. The Government wished to have representative bodies with which to deal in any matter. Such centralization made administration easier. The government department dealt with a body representative of the industry, and this representative body made the wishes of the officials known throughout the industry. Where the industry was well organized previously, the effect was to increase its membership almost to the total. Where the industry was poorly organized, probably because of its seasonal characteristics, as in the building trade, the effect was to increase the strength of the organization. Where the industry was unorganized previously, it was urged into organization, sometimes with an immense measure of success.

The reaction from this pressure towards complete organization of the employers in an industry is of considerable significance. In practically no industry are all the

employers included in the national federation or association. In many, the percentage is over 90, but in the Builders' Federation, for example, it drops as low as 50. The employers who were associated, were bound by governmental regulations, particularly in respect to arbitration awards of wages and hours. While in many of these respects the non-associated employers were subject to the same law, there were certain disadvantages to which the latter were not subject that led the associated employers to demand that association should be made compulsory. In fact, it had become customary for awards concerning wages to be extended to all members of an industry, whether or not in the association which had taken action in the matter. Thus while association had not been made compulsory, it was practically so. Individuals, finding that their refusal to join the association in their industry did not absolve them from the awards of arbitration tribunals, held out no longer.

#### § 4. METHOD OF ASSOCIATION

Another factor led to a strengthening of the impulse towards the formation of employers' associations. The war had been accompanied by a growth in trade union organization. This produced a twofold reaction on the part of employers. Some, in self-defense, sought to increase the strength of their organizations so as at least to parallel that of the trade unions. This motive operated particularly in industries that were badly organized, and which employed a large number of general laborers, one of the occupational groups in which unionization increased greatly during the war. Contemporaneously with this increase in union strength and a consequent quickening of the motive of self-defense came a widespread movement in the direction of securing more harmonious industrial relations. The publication of the report of the Commission of Inquiry into Industrial Unrest<sup>1</sup> and of the Whitley Report,<sup>2</sup> coupled with a desire to assist in raising the employees' standard of life, co-operated to bring about certain associations for the definite purpose of establishing amicable arrangements and relations between employers and employed, and of avoiding and settling strikes and industrial warfare. The Federation

<sup>1</sup> Reprinted by U. S. Bureau of Labor Statistics, Bulletin 237.

<sup>2</sup> Reprinted by U. S. Shipping Board.

of British Industries, established in 1916, put this purpose foremost among its aims and co-operated in the establishment of the National Alliance of Employers and Employed, whose first object is

to promote active co-operation of employers and employed in the treatment of questions generally affecting labor and employment in all trades and industrial occupations.

Six other important manufacturers' associations formed during the war have either definitely stated such a purpose or have formed a subsidiary association to deal with labor matters.

The organization of employers' associations under the stimuli just described has taken a twofold direction. In the first place, individual employers and firms who had formerly stood apart from their fellows, joined some local association of their own industry or, where regulations permitted, became members of a national association or federation. This process was one of the enrollment of individual firms in associations. The second direction that the process took was that of the federation of local associations into national associations within the same industry. This completed the process of centralized representation. Simultaneously, there was a process in which the two tendencies were united, namely, the creation of a super-federation covering all industries in which national associations could themselves be members. This super-federation was the Federation of British Industries.

A schematic representation of this form of association would show individual firms joining their local associations, and the latter federating into national associations, and the national associations joining the Federation of British Industries. (See Type 1.)

But as was consonant with the British love of local autonomy and of individual action, the actual processes of organization had none of this rigid uniformity. Individual firms do not always join a local association in their own industry. They sometimes help to form local federations of employers in various industries (Type 2), or themselves subscribe to the Federation of British Industries, which receives individual firms as members (Type 3). Further, local associations in an industry do not always federate into a national association. Sometimes, by reason of the localized nature of British industry, the local



association covers the whole industry or the whole of the competitors within a section of the industry, and thus is equivalent to a national association. Again, the employers in an industry may be so scattered that a local association is not possible, and a national organization is the only possible form (Type 4). In addition, there are a number of national associations, regularly formed of local associations, which are not themselves members of the Federation of British Industries (Type 5).

Of 29 associations concerning which information was obtainable, 9 belonged to Type 1, 6 to Type 2, 12 to Type 4, and 2 to Type 5. Type 3, which did not pertain to associations, was not represented at all, though it should be noted that the membership of such national associations as the Federation of British Industries and the Imperial Commercial Association was composed largely of this type. The 9 associations scheduled as belonging to the first type are among the oldest and most powerful employers' federations in Great Britain. They had been fully organized into local and national associations before the formation of the super-federation. On the other hand, of the associations included under Type 4, which is differentiated from Type 1 by the absence of local associations, several were new, while others were associations that could not be localized.

Within these various types of associations there is a conflict between centralization and decentralization of control. Some federations have iron-clad rules enabling them to control not only the local associations that comprise their membership, but also the individual firms that belong to the local associations. Nevertheless, manufacturers show a decided preference for local autonomy. Their motto is "centralization for policy but decentralization for administration."

## § 5. FEDERATION OF BRITISH INDUSTRIES

At the apex of the pyramid of organization stands the Federation of British Industries. This body, which came into existence in 1916 at the suggestion of Mr. Dudley Docker, afterwards its first president, is a federation of the trade associations of every important industry in the United Kingdom. In March, 1919, its membership comprised 172 trade associations, 15 associations of controlled establishments, and 899 individual firms. Its total mem-



bership was at that time 1,086 in number, each of whom paid an annual subscription of £100 (\$486), giving the Federation an annual income of over half a million dollars. Its membership was estimated in October, 1918, to represent some 17,000 firms, twenty billion dollars' worth of capital, and four million employees.

The membership of the Federation is based on two principles. Firms and associations must be *bona fide* British firms engaged in production, preferably with an export trade. On the other hand, however, the Federation cannot be compared to a trust or combine, since its members have come together for the good of industry as a national factor, not for the purpose of buying and selling the goods specific to each industry. It is an employers' parliament, not a combine or cartel.

Among its aims and objects is an article sketching the purpose and form of the Federation. It is said to have been organized to promote, encourage, and where necessary form, effective representative associations in each industry and trade, and to collect these associations into a central federation for dealing with matters of common interest and for mutual support. This central Federation was to be organized in such a way as to enable each industry or trade to express its views through a self-selected channel, and British industry as a whole to be represented adequately in negotiations with the Government or any other representative body.

On the other hand, the Federation does not intervene in any way in the internal affairs of an industry, nor concern itself with regulating prices, wages, or conditions of employment unless requested to do so by the association representative of the industry concerned. The Federation as a whole advocates no particular economic, political, or social program, restricting itself to ascertaining and expressing the views of its members. It thus explicitly restricts itself to the general interests of industry.

The organization is placed on a representative and self-governing basis. The members have divided themselves into seventeen main industrial groups. Each group has divided the industry it represents into subgroups which represent the various trades within the industry. In cases where the trade contains several important and diverse branches, it is further subdivided into sections. Each group and subgroup and section has its own standing committee elected by the members in each subdivision.

A further division is made geographically. Sixteen districts have been allocated, each with its own standing committee and district or organizing secretary. This committee deals with local matters and advises the Federation on such questions of general interest as can, from their nature, be dealt with more effectively on a local than on a trade basis. This same district organization is repeated in the case of the controlled establishments. By this means the principle of decentralized administration is given the fullest possible scope.

The government of the Federation is in the hands of a Grand Council which is elected by the groups, each group choosing a number of councilors proportionate to its size and importance, as measured by the number of work-people on the payroll of its members. An association may choose one representative for every 20,000 employees or part thereof engaged by the members in a sub-group. Individual firms are represented on the basis of one representative for every 40,000 employees or part thereof (over 2,000) engaged by the individual members in a sub-group. Each federation district and each association of controlled firms has also one representative on the Grand Council.

This basis of representation results in a very large membership for the Grand Council, which had nearly 280 members in March, 1919. The Council meets monthly for the discussion of questions of policy that concern the whole of British industry. It is obviously more of the nature of a representative Parliament than an executive council. It is too large and unwieldy for the latter purpose; hence a smaller body, corresponding to a cabinet, has been set up, to meet weekly for carrying on the administration swiftly and efficiently. This central executive is chosen by the representatives of the groups, organized as electoral colleges, allotting one representative for every 100,000 persons in the employment of the members of the group. In addition, the combined associations of controlled firms are allowed to elect not less than two representatives. The result is a central executive of fifty-five members which, while large, is reduced to a workable size by the large proportion of absentees at each meeting. Members living in distant parts of England are unable, in many instances, to attend a weekly meeting in London. In consequence, seven members of the executive committee constitute a quorum.

This account of the organization of the Federation of British Industries reveals it as a representative body so constructed as to be unable to do anything other than speak in the name of all industry. So carefully are various interests balanced, so wide a diversity of political and fiscal opinions are there represented, that sectional or partisan action is at least difficult. In an official account<sup>1</sup> the results sought to be achieved by the elaborate system of representation above described are thus set forth:

It [the Federation] cannot be pledged to advocate any particular economic, political, or social program, but only to examine such programs from the point of view of the well-being of British industry as a whole. Nor can its machinery become subservient to any particular interest.

The wide diversity of interests and political views represented within an organization so large, is in itself a guarantee that any decisions arrived at on such matters will be national in the truest sense.

## § 6. OTHER ASSOCIATIONS

The majority of federations and national associations other than the Federation of British Industries are based on local associations. They represent a grouping of local associations in the same industry with the specific object of dealing with industrial conditions common to that industry.

The basis of the representation of the local association on the national federation is of a threefold order.

(1) The simplest and most common is that the number of employees determines the number of representatives each local association may send. In making provision for the enforcement of this article an arbitrary quantum has to be stated with a margin large enough to give an undue representation to smaller associations. Thus the Federation of British Industries, as shown above, allows one representative for every 40,000 or part thereof over 2,000. On this basis it is obvious that equal representation would be granted to firms or associations with 4,000, 8,000, 25,000, or any other number of employees up to and including 40,000.

<sup>1</sup> Bulletin of the Federation of British Industries, Lyons Fair edition, March, 1919.

(2) This objection has led two of the more highly organized federations to base representation on the wages bill. In one of these federations the representation of the local federations is adjusted annually on the basis of the percentage which the local association's wages bill for the last financial year bears to the total wages bill of the whole federation. One representative is allowed for each 4 per cent or part thereof. In the other federation, the system is the same except that the local association's wages bill is calculated on the basis of the three preceding years, and one representative is appointed for each 3 per cent or part thereof, which the association's wages bill bears to that of the federation.

(3) One or two other associations base representation upon the contribution made by each association to the funds of the central federation. This is especially true in the cotton industry, where contributions are based on a payment per loom or per spindle. It is interesting to observe that, in this case, the central committee of the federation can levy upon the local associations.

Not all federations are composed of local associations pure and simple. Some include single firms, in the same way as the Federation of British Industries. This is particularly true of the clay industry, which is very diversified and comprises individual firms situated in parts where there is no opportunity for the forming or joining of local associations. The problems of such firms are special and local, but on larger questions of policy the national federation is their safeguard. In this federation, the system of trade sections, described below, is adopted as well as that of local associations. Two federations, one recently formed, the other twenty years old, include distributors, both individuals and firms, among their members. In the type of federation described as Type 4, local associations, except as representative of the whole industry, and, therefore, national in scope, do not exist.

In these federations the members are divided into trade sections, according to the characteristic articles they produce. Thus, the clay industries are divided into fifteen trade sections, the chemical industry into twelve, the electrical into nineteen or twenty, the silk into five, and so on. These sections have the same functions and powers as local associations and the same independence.

The relation between these sections and the national federation is in each case a combination of local autonomy with executive oversight. The sections discuss their own specific problems, but are linked together by the executive council of the national federation. In some cases the members of the executive are the officers of the sections. In other cases, where the connection is not so definite, the general secretary sits on each section, thus precluding it from breaking away in policy or action from the executive. In another federation, the General Council reviews and criticises the policy and actions of each section and offers suggestions for its guidance.

Local associations are comprised of individual firms which have co-operated for the treatment of problems peculiar to a locality or to the industry within that locality. In most cases they cover a large proportion of the establishments within the locality. Their structure is simple. Where the association is large and wealthy, it has a full-time secretary. Committees are appointed for specific functions, though often the whole work is carried on by the Secretary and the Executive Committee. Delegates are appointed to represent the local associations on the district and national associations in which they elect to enroll themselves as members.

## § 7. CONTROL OVER MEMBERS

The regulations of federations and associations differ greatly in respect to the control exercised over members. Almost all contain a provision for withdrawal of membership, but owing to the nature of the association, this withdrawal is purely voluntary. Many other associations provide for fines and expulsion. Several federations require the local associations affiliated with them to make provision for the expulsion of any one of their individual members by the general meeting of the federated association. At the same time, the latter has a provision for the expulsion of any of the local associations forming its membership, provided only that such expulsion is endorsed by a two-thirds majority in a referendum of the remaining federated associations. These same associations require that no step of general importance should be taken by a local association without consulting the Executive Board of the national federation.



There was a feeling on the part of some federations that strict control of the membership was a corollary of the prevailing industrial situation. This was especially manifest in the engineering federations where the strength of labor organizations was a challenge to employers. In an interview, the secretary of one of these declared:

Only by disciplining every employer within the industry and compelling him to follow the general labor policy of the employers within that industry could the employers hold their own against such militant unions as they had to contend with.

The secretaries of seven federations declared their support of the principle that employers should all be compelled to enroll in the association representative of their trade. This principle was also endorsed for reasons of governmental action by Sir Robert Horne, Minister of Labour, in the formula: "Every employer in his association; every worker in his trade union."

While such a co-ordination and centralization has the support of powerful factors in English industrial life, the aversion to centralization and the love of local and individual autonomy will probably cause the structure above outlined, in various types, to remain the utmost achievement of organization of employers.

## § 8. FUNCTIONS OF EMPLOYERS' ASSOCIATIONS

In dealing with the functions of employers' associations, a distinction must be observed between those which are purely trade associations and those whose primary purpose is the handling of labor questions. While these two functions are not invariably separated, there is a growing tendency in that direction. Some federations, such as the Engineering and National Employers' Federation, have always dealt with labor questions. The Shipbuilding Employers' Federation deals almost exclusively with such questions. The Employers' National Council for the Clay Industries was formed to work out the principles of the Whitley Report. But several of the new associations had separated the treatment of trade and labor questions, sometimes going to the extent of setting up a separate organization. Thus, the Federation of British Industries, in order to carry out its second object,



the promotion and encouragement of free and unrestricted communication and discussion between masters and workmen with a view to the establishment of amicable arrangements and relations between masters and workmen and to the avoidance and settlement of strikes and all other forms of industrial warfare between masters and workmen,

had assisted greatly in setting up the National Alliance of Employers and Employed, for the treatment of labor questions. The chemical and light leather industries had similarly set up separate organizations for the same purpose. Two other federations which had arisen during the war were able to refer their labor troubles to the Engineering and National Employers' Association, of which they were members.

The functions of trade associations are many and diverse. A summarized statement of the chief among those of the Federation of British Industries will serve as a guide to what is to be found in the case of other federations. The first object is the organization of itself as a federation. The second has been quoted above.<sup>1</sup> The chief of the long list of those remaining are:

- (i) Promote the interests of manufacturers, assist the organization of industries and particularly the development of industries of all kinds.
- (ii) Promote and develop schemes to establish and maintain communication between manufacturers and customers desirous of purchasing their goods.
- (iii) Afford facilities for communicating and interchanging views between manufacturers and government departments so that the latter may be fully seized of the views of such manufacturers on matters affecting the industries in which they are engaged.
- (iv) Watch over legislation and the administration of laws.
- (v) Provide legal aid for members in such matters as patents and trade-marks, and where the interests of the Federation are involved.
- (vi) Collect and circulate statistics and information on matters connected with or affecting industry, science, and commerce.
- (vii) Provide a central medium of useful and confidential information and advice.

<sup>1</sup> See page 100, § 5.

- (viii) Promote and encourage scientific research, improve technical, scientific, and general knowledge of manufacturers, and take educational measures for these purposes.
- (ix) Circulate information as to nature and merits of inventions and assist and encourage the exercise of inventive skill.
- (x) Employ travelers to promote the interests of British manufacturers and producers and obtain information likely to be of use to them.

These general purposes are found duplicated in most other associations. The promotion of the interest common to manufacturers in that industry forms the main object of most federations and associations. To represent the industry in all questions arising out of governmental action is especially to be found among the functions of those associations created during the war. To watch over legislation, while not figuring largely in the list of functions, is only absent because achieved without overt action by the federation itself.

Quite a number of associations are ready to give pecuniary aid or legal advice to their members or indemnify them when action in accordance with the policy of the association has caused them loss. Several associations are publishing statistics and collecting confidential information that may be of service to the industry.

It is significant that no object occurs so frequently in the list of aims as that of the promotion and encouragement of scientific research and of technical education. Industries like the silk, lace embroidery, clay, boot and shoe, rubber, chemical, electrical, and engineering are among those which are seeking to improve technical processes and further the technical efficiency of both employers and employed. The printing industry, and, in part, that of lace embroidery, have taken up systems of scientific cost accounts and appraisalment.

In some cases there was a preference shown for some form of protective tariff within the near future, but action along such lines was not found among the objects of any association.

Some of the associations are registered as companies, but few of them so openly avow their purpose to promote trade and commerce as does the Federation of British

Industries. It should be observed, however, that the latter is concerned, so far as it undertakes the object, with the furthering of trade in general, especially oversea trade. At its annual general meeting, October 31, 1918, it passed the following resolution on domestic trade:

That with a view to consolidating the industries of this country and reducing speculative fluctuations in prices, members of the Federation of British Industries are recommended as far as possible to draw their requirements of manufactured products from members of the Federation.

In reality, however, as the chairman's remarks indicate, it was intended to weld together British industry and give "a real preference to British trade in British markets." The commercial aspect of the activities of the Federation, however, is centered on developing foreign trade so as to oust Germany from world markets. An Overseas Trade Committee was appointed which first sought to press the Government to take action to represent British commerce in foreign countries. As a result of this pressure the Government accepted the principle of commercial attachés. Further action by the Federation was hindered by the refusal to set up an organization which would be in any way concerned with negotiating business. At length, however, a proposal was made that commissioners or representatives of the Federation should be appointed in foreign centers of trade. These men were to inform manufacturers generally through the Federation, of the industrial, political, and social conditions of the countries they were in; and generally to foster British industrial and financial interests.

While no other federation openly aims at developing trade, several do give attention to foreign trade, and more of them achieve some form of price-fixing. One association states its objects thus:

In order to avoid in future the selling below cost price, the selling of [goods] of too slack qualities, the piracy of . . . designs and patterns, the diversion of orders from their proper owners . . . the objects of the association shall be . . .

- (a) To fix a minimum cost price. . . .
- (b) To regulate qualities and fix standards of goods. . . .

This association imposes a fine of £50 (\$243) for underselling, for discounts or dishonest bookkeeping. Another association, which imposes a similar fine for breach of its

rules, aims "to prevent unfair competition among members of the association and the cutting of prices, and unfair attempts to get work for themselves from the customers of other members." It regulates prices at which work shall be executed by members, provides that no member shall carry out contracts at lower prices than the minimum fixed, and requires all members to advance prices at once on the fixing of the minimum. Another association which seeks to obtain a "fair market price" ("no artificial inflation of prices is contemplated") for its product has a selling committee to fix a minimum price and settle export selling terms and forms of contract. The whole of the product made for export is placed in the hands of this selling committee.

Most employers' associations that are not registered as companies, devote attention to labor matters. While there are some that are exclusively devoted to the treatment of such questions, there are few that do not give them a large place in their functions. In fact, many of these employers' associations are registered as trade unions, thus acquiring a legal status as an association regulating the "relations between workmen and masters, or between workmen and workmen, or between masters and masters, or the imposing of restrictive conditions on the conduct of any trade or business."

Many of these associations include among their objects the regulation of wages and hours and the settlement of disputes. These objects are achieved by negotiations between the district and national executives of employers' and workers' organizations. But the most frequently occurring object in relation to labor is the establishment of machinery for promoting amicable arrangements and relations between employers and workers. This object is achieved in various ways. The Federation of British Industries has set up the National Alliance of Employers and Employed as an organization for establishing industrial harmony. Two other associations have in a similar way set up separate organizations to deal with labor problems. Fourteen associations have established Joint Standing Industrial Councils on the Whitley Plan. The principle of conciliation is adopted in three industries, shipbuilding, engineering, and cotton, by means of joint rules drawn upon agreement between employers and employed. Six other associations have some form of conciliation, while another three, all in the engineering

industry, leave their labor troubles to the federation in that industry. The remaining associations do not deal with labor problems at all.

## § 9. NATIONAL ALLIANCE OF EMPLOYERS AND EMPLOYED

The importance and significance of the National Alliance of Employers and Employed as an organization for common action towards industrial co-operation is so great as to call for extended comment. The suggestion of such an organization was made in December, 1916, at a meeting called to deal primarily with demobilization. The sense of the meeting was that the cordial and whole-hearted co-operation of employers and employed was vital to the success of any scheme dealing with reconstruction problems. By March, 1917, an organization on this basis had been created, and by November, 1917, had approved a constitution admitting associations of employers, trade unions, individual companies, firms, and individuals to membership. Later, the terms of affiliation were arranged, so that the two former groups alone were entitled to elect the Central Council, while the three latter groups were classified as associate members. The organization of the Alliance has come to consist of local committees, area or district committees, and federations grouped according to geographical and industrial conditions.

The General Council of the Alliance is composed of representatives of employers and workers, each employers' association and each labor organization having the right to appoint two members, and each area or district committee to appoint one employer and one workman. The respective parties are not equal in numbers on the General Council, but they are on the Executive Council, which consists of not more than twelve members on each side. District Committees also consist of equal numbers from each party.

The aims of the National Alliance of Employers and Employed, expressed in general terms, are to promote the active co-operation of employers and employed in the treatment of questions generally affecting labor and employment in all trades and industrial occupations, and to secure the welfare of the industrial workers of the country and the efficiency of its industries. More specifically, its program names the following points as those to which



the joint committees it sets up should direct their attention:

1. A living wage "sufficient to enable the workman to maintain a decent standard of life for himself and those dependent upon him, and to provide for the future. Beyond this minimum, the method of remuneration to be such as will give the workman an incentive to use his best efforts on behalf of the industry in which he is employed."
2. Regulation of hours of labor.
3. Women to be paid at equal rates with men, if work, skill, and output are equal.
4. Improvement of the conditions under which work is generally carried on.
5. Satisfactory housing conditions for all workers.
6. Opportunities to be given to workers to obtain a practical and technical knowledge of the trade, and encouragement given to them to take a keen interest in the efficiency and success of the works, and to afford the management the benefit of their knowledge and experience. The interests of workpeople in their inventions to be safeguarded.
7. Joint committees to consider wages and hours in relation to the financial interests of the industry, and to consider questions of the efficiency of the plant and methods of production.
8. Every inducement to be offered to ensure the production of the maximum output of which each individual is capable, and every worker to be allowed to receive as much as the nature of his work and his capacity will enable him to earn.
9. Endeavors to be made to keep workers employed during times of slack trade.
10. Associations of employers and employed to be encouraged, and agreements arrived at between them to be accepted and loyally adhered to.
11. Local and national efforts to be made to insure that every child shall have the opportunity of obtaining a liberal education and the technical training required for the particular calling for which it is shown to be fitted.

In a note attached to the statement of its objects, the Alliance declares that it

will not, unless specially requested to do so, interfere with arrangements existing between employers' associations and trade unions for the settlement of questions affecting wages, hours, and conditions of labor.



The activities of the Alliance have been varied. Most of them are carried out through the district committees. Some of these latter have been called upon to arbitrate in disputes. Others are taking practical action on the housing question. The committee in one center had concentrated on the problems of the joint organization of trade, unemployment, co-partnership, and profit sharing. This center, reporting on unemployment, made the following significant observation:<sup>1</sup>

On broad lines it may be deduced that until steps are taken which will reduce the great fear of unemployment from the masses of the workers, that increased output, so necessary for the future of the country, cannot be hoped for.

The Alliance as a whole took certain steps in educating public opinion and placing its project before the Prime Minister, so that the exact form taken by the National Industrial Conference on February 22d was due to its initiative.

For the use of the district committees and affiliated organizations, the Alliance is developing a Bureau of Industrial Research, aiming to supply the fullest possible information on particular problems which concern equally the welfare of employers and trade unionists.

The efficiency of such a method of co-operation as the Alliance represents may be judged from the testimony of Mr. E. Manville, M. P., President of the Associated Chambers of Commerce of Great Britain, and the Vice-Chairman of the Executive Committee. Speaking of an association of two years with the activities of that committee, he said:

During the whole of this time I have never known a deadlock to occur between the employers and trade unionists serving on it on any vital point.

How far it has been necessary to go sometimes in placating labor is seen in the pronouncement of its North London committee, representing nine manufacturers and nine labor leaders. This committee has put out the following basic principles of a working arrangement between capital and labor.<sup>2</sup>

<sup>1</sup> *Unity* (official organ of the National Alliance), June, 1919.

<sup>2</sup> See *The Times*, March 14, 1919, and *Unity*, April-May, 1919.

1. Industry rightly belongs neither to the capitalists nor to labor.
2. Capital and labor are morally and economically partners in industry, and by reason of their different functions no distinction can exist in the relative importance of the services rendered by each.
3. Neither the control of industry nor its benefits can be rightfully claimed, or advantageously possessed, either by owners of capital invested or labor engaged, to the exclusion of the other.
4. The function of capital is that it be applied productively and sufficiently for the general good.
5. The function of labor is to produce to its full capacity.
6. The "standard of living," representing as it does the division of the commodities produced by the community amongst its members, is directly proportional to production, provided that the said division is equitable, having regard to services rendered.
7. The rewards rightly due for services rendered are as follows: First, to labor a reasonable living wage; secondly, to capital, in respect of money secured by assets, a reasonable fixed rate of interest, sufficient to secure its employment; thirdly, to labor, 50 per cent and to capital 50 per cent of the net divisible profits.
8. The term "labor" comprises workers both by hand and brain, and includes management.

## § 10. SOME OTHER PURPOSES

The joint rules in force in the shipbuilding, engineering, and cotton industries provide for automatic conciliation, guaranteed by representative bodies on each side. In each case, no lockout or strike is to occur till a regular and definite procedure is adopted, providing for conference between representatives of either party. In the shipbuilding industry, when yard committees, district and national committees have failed to adjust a dispute, arbitration is resorted to. In the engineering or metal trades the final step is one of conciliation at the hands of the national executives of the employers' and workers' organizations respectively. In the cotton industry the same procedure before local and national joint bodies representative of either party is carried out. But the rules further provide that during the continuance of a strike or lockout periodical meetings shall be held between

the national executives of the parties. These meetings are to take place every four weeks,

until the dispute be settled, and without any formal application by either party for any such meeting.

Other objects of employers' associations dealing with labor problems sometimes include measures of common defense. Thus the general secretary of the national federation is in three cases required to collect particulars of all local demands, strikes, and disputes, so that the Federation may be forearmed. Other associations refuse to employ men on strike or locked out from the workshop of another member of the same association, provided that the dispute has been approved by the association. In several cases, an inquiry form is circulated among members of associations giving particulars of the industrial standing of an applicant for employment. In one case, the regulations provide that one employer may not "poach" upon the workers of another employer in the same association. In two associations, lockouts may not be ordered except on a two-thirds majority, in one case taken by a referendum among the federated associations, in the other case by a vote of the executive, confirmed by a three-fourths majority in a general meeting of the association.

Two associations revealed the presence of an effort to give both manufacturers and workers a clearer idea of the economic problems of the industry. In other cases, the need was recognized, though nothing had been done. Other associations, in which the Whitley scheme for joint industrial councils had been adopted, expected that a common process of discussion upon the economic needs of the industry would have an educative effect. Others found that the meetings of the associations, whether local or national, did much to call forth from manufacturers a clearer exposition of their position than the public were accustomed to get. Thus, in *The Builder*, the official organ of the Builders' Federation, there occurs the following statement:<sup>1</sup>

Organization is the builders' most effective weapon in dealing with labor difficulties, whilst it is also the only effectual means of educating the public as to the rights of a class of men who are more frequently unjustly criticized and condemned than those of any other calling.

<sup>1</sup> *The Builder*, August 10, 1917.

The secretary of the Builders' Federation, in an interview showed how the activities of the Federation were aimed towards the uplifting of the industry and the economic education of builders generally. An attempt was being made to get the industry professionalized, so that the lump contract system could be replaced by that on which architects work, and standard forms of estimates and contracts and standard methods of measuring quantities adopted.

The efforts made by the two associations which have attacked the economic problems of their industry are interesting. One, which manufactures an article beyond the reach of workers, has put out a statement to its workers analyzing the cost of production of that article, and stressing the conclusion that this article can only come within the reach of the workers by reason of increased output on their part and a consequent reduction in the unit cost of production. The other association, the Federation of Master Printers, has a cost system which was worked out by a committee of the Federation and is in operation in almost all large workshops in the industry. The Federation is starting an educational propaganda mainly to show employees the economic basis of the system, and the degree to which it includes and protects their wages. The joint Industrial Council for the industry has endorsed the system, including among its "agreed principles" the following:

That all employers should adopt and use for costing and estimating a uniform costing system approved by the National Executive or be guided by any schedule of hourly cost rates issued for their district and approved by the National Executive.

## § 11. FRENCH AND ITALIAN ORGANIZATIONS

The organizations of employers in France have tended toward the type represented by the Chambers of Commerce in the United States. They have sought to deal with general questions touching the industry as a whole or with questions of trade. Such subjects as freight rates, credit reports, insurance rates, foreign trade conditions, come before them. With the secretaries of each are associated experts to analyze and make available the information that comes in.

“Most of them support professional schools, lecture courses, laboratories, etc., issue prizes for special work affecting the trade involved, collect libraries of technical works, and frequently undertake social welfare work in behalf of their members and the workmen in their plants. Bulletins are issued monthly and annually, and they are of the greatest interest as throwing light on the development of the respective trades.”<sup>1</sup>

They are generally known as employers' syndicates (*Syndicats Patronaux*). The first employers' syndicate was organized in Paris, 1857, and was called the National Union of Commerce and Industry.

Of these employers' associations there were, in 1914, some 4,967. All together their members totaled 403,143, among whom there were 10,300 women members.<sup>2</sup> Industrial conditions during and since the war have given them strength and activity. Your Commission was told that French employers are getting together as never before.

There is another type of organization in France involving the employers. It is called the “yellow” (*jaune*) or mixed syndicate, and is made up of a combination of employers and employees. Of these there were, in 1914, 233 syndicates, with 51,111 members.<sup>3</sup> Relatively weak, the mixed syndicate has still accomplished something in bringing the workman into association with the employer. The purpose of such syndicates is very similar to that of employers' syndicates.

The French employers' associations, being relieved from the burden of a tremendous labor problem, have been free to turn to matters of trade. The Union of Metallurgical and Mining Industries and Affiliated Industries is a leading organization in the world for the comprehensiveness of its scientific information. Your Commission met with some representatives of the Automobile Association of France and found them most keenly alive to the problems of that industry. They were complacent about handling the labor problem, but matters of finance, imports, raw materials weighed heavily with them.

Your Commission found a movement on foot to organize the employers of all the important industries of Northern Italy. We were told that the employers in the metal

<sup>1</sup> *Franco-American Trade*, p. 86.

<sup>2</sup> *Statistique Generale*, p. 134.

<sup>3</sup> *Ibid.*



interests were organized and working together. The textile manufacturers also have their organization. There met in Turin, April 23d, a convention of employers from the entire industrial section of Northern Italy to discuss the question of the eight-hour day and the minimum wage. But, as in France, the labor union problem has not brought them together.

There is the *Società Italiana per Azioni* (Association of Anonymous Share Companies), which is said to be the most important manufacturers' association in Italy. A plan has been drawn up for the constitution of a General Confederation of Italian Industry.

#### STATUTE OF THE GENERAL CONFEDERATION OF ITALIAN INDUSTRY

1. There is constituted, with seat in Rome, the General Confederation of the Italian Industry.
2. The Confederation intends to promote and protect in all fields the general interests of the national production.
3. There are admitted to join the Confederation:
  - (a) All national companies of Industry and Association of the Share Companies. (Section A.)
  - (b) Industrial Associations devoted specially to the study and solution of problems relative to intercourse between manufacturers and labor. (Section B.)
  - (c) Associations of Manufacturers with only a regional and local character. (Section C.)
4. The Office of Presidency of the Confederation will decide without appeal upon the admission of companies.
5. The Confederation is ruled by a Board of Delegates and the President.
6. The Board of Delegates is formed by four representatives of the Association among Share Companies, by a representative of all associations included in Section A and of the Directions of Sections B and C.
7. Said Board meets once every six months, and also at different extraordinary periods if the President considers it necessary, or if it be demanded by at least three associations. In the Board presided over by the General President each member present is entitled to a vote.
8. For the validity of meetings, there is necessary, in a first convocation, the presence of at least one third of the members; in a second convocation the meeting is valid whatever be the number of the members present, and the deliberations are taken by the majority of those present.



9. The meetings of the Board can also be held in different towns, out of the confederal seat. They are assembled by the President with a notice to be sent round at least ten days before the date fixed for the meeting, except in emergency cases in which said notice can be made by wire.
10. The Board has authority to appoint the General President, to approve the budgets, and to decide the general direction of the actions of the Confederation; the President has the widest power upon the organization and the working of the Confederation.
11. The President's office is formed by the General President and by four Vice-Presidents; two of these are appointed by Associations of Section A; the other two will be, by authority, Presidents of the Direction of Sections B and C.
12. The General President is appointed in the first yearly meeting of the Board and can be appointed again for four years consecutively.
13. Sections B and C shall have each a special Direction formed by five members appointed by the Associations inscribed in the respective sections. The appointment will be made in the first three months of each year, by voting through correspondence.
14. Each of the Sections B and C will make its own rules, to be approved also by the President's Office.
15. The yearly contribution of the Associations to the Confederations is fixed as follows:
  - (a) 1,000 lire for Associations of Section A.
  - (b) 0,10 lire per each workman controlled by the Associations of Section B.
  - (c) 250 lire for Associations of Section C.The rules of Sections B and C can fix special contributions for their associated parties.
16. The Association that does not observe the rules of the Confederation can be excluded from same, by decision without appeal of the Board, based upon the majority of two thirds of the members present.

## § 12. RESULTS

The results achieved by the formation of employers' associations with purposes and aims as sketched have been manifold. In the case of the associations inaugurated during the war, it is difficult to disentangle the results due to the national pressure from those which followed upon co-operation with other employers. The national needs can, however, best be regarded as the

stimuli which furnished the motive for association, and made the results of association appear more readily and speedily.

The first general result was a quickening of industry. The jealousy and individualism which had stood in the way gave place to a readiness to share ideas and to work towards a common end. The process of sharing ideas had its reverse in revealing deficiencies, while co-operation between persons engaged in the same industry meant doubled efficiency. A speaker at the annual meeting of the Federation of British Industries, December, 1918, recounted the experience of a friend, who

said that there was one firm only in his experience who had discussed certain matters with him without any reserve at all. Each had told the other exactly what it was doing, one firm being at one end of the process and the other at the other. They put their information on the table together, and he had no hesitation in saying that the result of exchange of views was to reduce cost by 10 shillings a ton. The information at the disposal of one just supplemented the information at the disposal of the other.

This personal experience has been repeated in that of several of the industries which were organized during the war, and by discussion and the interchange of information acquired fresh strength and resourcefulness, as well as added efficiency.

Further, the formation of employers' associations has enabled employers to represent their cause more effectively before the public, the Government, and the trade unions. The process of organization has necessitated a certain quantity of economic augmentation, and the public has learned to find among employers<sup>1</sup> advocates and defenders who would have remained silent in their own cause, but have come forward to speak for industry generally.

The Government, too, whose activities were so greatly extended during the war, has learned where to look for guidance concerning industry now that industry is so well organized. The earlier position is illustrated by a statement of Mr. Dudley Docker, first President of the Federation of British Industries.

<sup>1</sup> For instance, Mr. W. L. Hichens, Mr. Samuel Turner, Mr. Ernest Benn, and others.

If the Government ever took the trouble to ascertain the views of the manufacturer, or of the large employer of labor, they have in the past generally selected some individual at haphazard, who had no right to do more than give his individual opinion and was incapable of voicing the views of British trade.

Even when the Government did choose to consult an association they did not consider larger associations which would be affected by their action. A glaring illustration of the effects of such a policy occurred in connection with the granting of the 12½ per cent bonus to time workers by the Minister of Munitions, in 1917. Mr. Churchill consulted the Engineering Employers' Federation, which made strong representations on several points, but especially as to the effect which the granting of an advance in the case of any particular class or classes of time workers would have on any other classes of workers. Mr. Churchill disregarded this advice, and failed to consult other associations. The sequel was the extension of the bonus to practically all time workers throughout the country, with a corresponding bonus for pieceworkers. The effective organization of each industry, and the creation of the Federation of British Industries as the representative of all employers has given the Government effective channels through which to act in relation to industry.

At the same time the increase in strength of employers' associations has paralleled that of trade unions, and thus created an equilibrium. Since trade unions are recognized, and collective bargaining carried on with them, this equality has no implication of defense, yet it has considerable significance in the obtaining and keeping of just agreements. Further, it secured uniformity in agreements concerning wages and hours. Prior to a more complete degree of organization, individual employers found their well-organized employees following a policy of attacking each employer singly, and thus producing an inequality of concessions and conditions that was very damaging.

The growth of associations has strengthened the smaller firms within an industry and has given the industry itself greater assurance. One effect of this increased strength and confidence is the growing tendency toward price-fixing mentioned in the discussion of the functions of asso-

ciations. While some of this is due to government control during the war, and to the circumstances under which many of the associations came into existence, its continuance is intimately correlated with the more complete organization of the industry.

### § 13. SUMMARY

The functions of employers' associations, especially in Great Britain, cover practically the whole range of industrial purposes. Measures are taken to strengthen and develop industry and promote the interests of manufacturers therein. The efficiency of the industry is a prime matter of concern, and scientific research and technical education are promoted as means to that end. The science of statistics is being used to inform and guide manufacturers on matters that hitherto lay outside their ken. Matters of price-fixing and better organization for selling are receiving attention. On the side of labor relations, while questions of wages and hours and the actual settlement of disputes constitute a large part of the problems of associations, the chief trend of activity is in the direction of the establishment of machinery for promoting amicable arrangements and relations between employers and workers. Some little attention is given to matters of common defense against the activities of trade unions and to forms of economic education.

## CHAPTER VII

### SHOP STEWARDS

#### §1. THE QUESTION OF OUTSIDE INFLUENCE

Out of the unrest and general discontent among British workers of the present day, new sets of demands are being brought forward by various agencies in organized labor. Not only are many of these new demands very extreme and far-reaching in character, but the agencies also through which they are being urged are significant. There is a widespread and determined desire on the part of labor to take over a share of industrial control, and organizations for carrying through such a policy are developing.

A point of marked importance to employers is as to the methods of dealing with their workers. Shall outside influences, through unions, through delegates of unions, or councils organized by governmental action, enter into the settlement of disputes arising in local establishments between individual employers and their employees? Shall labor have authority to decide on matters of management hitherto reserved to the owner of the establishment? Here is to be found, undoubtedly, the crux of the question as to the attitude of employers to shop stewards, works committees, joint councils, and industrial conferences. It is one thing to have an opportunity for employers and their employees to confer together in a committee representing the whole body of workers in an establishment on matters of local and mutual concern; it is quite a different thing to have outside forces enter to apply general policies in individual establishments. The latter methods stir up the antagonism arising from the natural desire of men to settle their own affairs without outside dictation.

#### §2. SHOP STEWARDS

Before the war the majority of British Trade Unions had officials in the shops, known by various names—such as “Shop Delegates,” “Collectors,” or “Shop Stewards,” but they had no place in the settlement of disputes



between workers and employers.<sup>1</sup> In the main, these union shop stewards aided the purposes of the unions by such duties as collecting dues, bringing newcomers into the organization, and watching for violations of union rules and customs. These delegates claimed the privilege of going freely about the shops without notifying the foremen; but such concessions were not granted by all employers. It is to be noted that these officials were imported into an establishment to serve the purposes of an outside body which professed a concern as to the interests of individuals employed therein. If originating in other ways, they soon became absorbed into the trade union organizations.

The functions of shop stewards began to change with changes in the nature of the laborers' demands. They appeared upon committees for the arrangement of prices for piecework. Originally they were representatives of their crafts. Elected at the start by the unions, their relation to the unions has varied. Sometimes the branch selecting them did not have a large membership in the works where they were placed. Sometimes they were appointed by the district committee. Thus they formed a kind of machinery which did not always provide a direct medium of dealing between the employer and his own workers. Too often they came from forces working outside the individual plants.

### § 3. EFFECT OF WAR CONDITIONS

In addition to the industrial unrest that had been gathering before the war, new conditions produced by the war aggravated the situation. As we have seen, the introduction of new automatic machinery, together with the employment of semi-skilled and unskilled laborers (i.e., dilution), and the withdrawal of some union restrictions, raised many new questions. The labor policy of the Government in state-controlled industries was also vacillating and uncertain. Many misunderstandings were caused by the action of governmental officials which were charged against the employers. Official regulations regarding dilution stirred up antagonism. In addition,

<sup>1</sup>The American "walking delegate" is a person not employed as a worker in the individual shop; the British "shop steward" is so employed. The word "works," as used in this discussion, means shop or plant or manufacturing establishment.



the steady preaching of socialistic doctrine that labor was the chief, if not the sole, factor of production began to raise claims for a share in industry corresponding to the new teachings. Thus discontent grew and widened.

Out of this situation during the war there developed a loss of confidence in the power and prestige of the trade union authorities:

In many cases the trade union representatives have by constitutional methods endeavored, but in vain, to procure the settlement of difficulties. The workpeople have gained the impression that, if they wish for any improvement in their conditions, they must take the matter into their own hands and bring pressure to bear upon the Government. Action by the men themselves has been able to force the Government to decide that which they had refused or delayed to decide when approached in a constitutional way by the trade union representatives. The result has been a loss of confidence in the trade union itself.<sup>1</sup>

That is, the shortcomings of government management increased the difficulties of the labor situation.

In connection with "dilution," the skilled workers feared a loss of status for skilled crafts and a lessened power of their craft unions. If they took in the new workers, it tended to transform craft unions into those based on an industry. In the emergencies of the generally disturbed situation, ambitious, radical young men saw their opportunity to gain power and influence through the position of shop stewards. Working within their own individual shops, appealing to the fear of craft destruction and other causes of discontent, they secured a very large following even among those workers who had once disapproved of the methods of some shop stewards. This rising tide of new forces became known as the "Rank-and-File Movement," or the "Shop Steward Movement," and soon became a serious menace to the authority of the established unions. The rank and file proposed to act unofficially and independently of the union leadership. The result was the calling of what was termed the "unauthorized" strike (that is, unauthorized by union officials), organized by the shop stewards, which first broke out on the Clyde in February, 1915.

There then was organized out of the shop stewards a strike committee known as the "Clyde Labour With-

<sup>1</sup> "Commission of Inquiry into Industrial Unrest, London and Southeastern Area," p. 5, par. 7.

drawal Committee," which engineered the strikes on the Clyde in March and April, 1916. In effect, these strikes were brought on to force a recognition of the shop stewards movement by employers, the trade unions, and by the Government. Elsewhere "Workers' Committees," after the Clyde model, were established, followed by strikes at Barrow (June 26-July 2, 1916), Sheffield (November 16-19, 1916), Manchester (November 30-December 5, 1916), Tyne (March 19-25, 1917), Swansea (June 25-July 2, 1917), Mersey (July 6-18, 1917), and, finally, of 50,000 aircraft workers at Coventry (November 26-December 3, 1917).

It is obvious that the terms "Shop Stewards" and "Works Committees" must be used with discrimination. The revolutionary element among laborers expressed itself in these agencies. They made an effort for an expansion of their policy in a National Industrial Council of Shop Stewards and Workers' Committees to secure "a clearer perception of working-class industrial needs and more cohesive action in the direction of their attainment."<sup>1</sup> Their objects were no longer the correction of shop practices and the like. As a separatist body they antagonized the regular unions, because these were considered too slow and too conservative, and they presented new demands on industry as a whole. They claimed that, under the new and complicated conditions produced by the war, the union leaders had become detached from the practical problems of the shop and were thus unfitted to meet the managers and experts at conferences.

On technical points bargains are frequently made which work out badly in practice; the men chafe under the agreements; they lose confidence in the leaders; and the results are obvious in the lack of discipline and the growing number of unauthorized strikes.<sup>2</sup>

Thus, while the shop stewards were set against the union leaders, by a curious paradox the employers were induced to turn to the more radical shop stewards. As we have seen, the natural attitude of the employer was to deal directly with his own men rather than with forces outside the shop, such as union organizations having a general or national policy. Therefore to the employer the shop steward system seemed to furnish a return to

<sup>1</sup> *The Engineer*, January 4, 1918.

<sup>2</sup> *Ibid.*

direct dealings between the individual employer and his own workers. But if he relied on this hope, he soon found himself dealing with a general point of view more radical than that of the unions.

When employers were invariably in favor of settling local disputes locally and with their workmen, the trade unionists demanded nothing less than national settlements. There was much agitation and there were many strikes on this very question. The unions eventually won their point, not so much by argument as by force. Now that the employers, reluctantly forced into a policy of national treatment of local questions, desire to settle down and make the best of the new conditions, and observe the rules of this trade-union created procedure, the men have switched back to the principle of local autonomy.<sup>1</sup>

Thus there has arisen a tendency, especially with government officials, as in the proposals for Whitley Councils and Industrial Conferences, to support the union authority as the lesser evil. But, since the leadership among shop stewards is in the hands of radical and even revolutionary young men, it remains to be seen whether their policy will be forced on the established unions, or whether the latter will dominate the "rank-and-file" movement and confine the shop stewards to purely administrative functions. Recent events, however, as in the case of the coal miners, show that the extreme element has got out of hand and is determined to use "industrial action," or a policy of force. The power of the revolutionary movement was such as to draw in many of the shop stewards who ceased to report to their trade unions. They have become "class conscious men and women who have in view neither the restitution of war conditions nor 'the permanent improvement of relations between employers and employees.'"<sup>2</sup>

#### § 4. ATTEMPT TO REGULARIZE SHOP STEWARDS

The next step in the evolution came with an effort of the established unions to "regularize" the shop stewards by confining them to administrative functions, and by recognizing their committees as official committees of the unions. The point of interest, of course, resides in

<sup>1</sup> *The Engineer*, January 4, 1918.

<sup>2</sup> Cf. J. T. Murphy, in *Solidarity*, the organ of Workers' Committees, October, 1918.

noting how far the union policy has been made more radical in carrying out such a compromise. It is clear, however, that the explosive power of revolutionary purpose, even if its influence through shop stewards should be limited, will break out in another form, until it is squarely met and subdued. For the present, it should be recorded that after the Coventry strike (November 26-December 3, 1917), thirteen of the principal engineering trade unions, not including the Amalgamated Society of Engineers, declared their policy in the well-known Shop Stewards' Agreement, December 20, 1917:

With a view to amplifying the provisions for avoiding disputes it is agreed:

1. The workmen who are members of the above named trade unions employed in a federated establishment, may appoint representatives from their own number to act on their behalf in accordance with the terms of this agreement.

2. The representatives shall be known as shop stewards.

3. The method of election of shop stewards shall be determined by the trade unions concerned, and each trade union party to this agreement may appoint shop stewards.

4. The names of the shop stewards and the shop or portion of a shop in which they are employed and the trade union to which they belong shall be intimated officially by the trade union concerned to the management on election.

5. Shop stewards shall be subject to the control of the trade unions, and shall act in accordance with the rules and regulations of the trade unions and agreements with employers so far as these affect the relation between employers and work-people.

6. In connection with this agreement shop stewards shall be afforded facilities to deal with questions raised in the shop or portion of a shop in which they are employed. In the course of dealing with these questions they may, with the previous consent of the management (such consent not to be unreasonably withheld), visit any other shop or portion of a shop in the establishment. In all other respects they shall conform to the same working conditions as their fellow workmen.

7. Employers and shop stewards shall not be entitled to enter into any agreement inconsistent with agreements between the Engineering Employers' Federation or local associations and the trade unions.

8. The functions of shop stewards so far as they are concerned with the avoidance of disputes shall be exercised in accordance with the following procedure:

- (a) A workman or workmen desiring to raise any question in which he or they are directly concerned shall in the first instance discuss the same with his or their foreman.
- (b) Failing settlement, the question shall, if desired, be taken up with the management by the appropriate shop steward and one of the workmen directly concerned.
- (c) If no settlement is arrived at, the question may, at the request of either party, be further considered at a meeting to be arranged between the management and the appropriate shop steward together with a deputation of the workmen directly concerned. At this meeting the organizing district delegate may be present, in which event a representative of the Employers' Association shall also be present.
- (d) The question may thereafter be referred for further consideration in terms of the provisions for avoiding disputes.
- (e) No stoppage of work shall take place until the question has been fully dealt with in accordance with this agreement and with the provisions for avoiding disputes.

9. In the event of a question arising which affects more than one branch of trade or more than one department of the works the negotiation thereon shall be conducted by the management with the shop stewards concerned. Should the number of shop stewards concerned exceed seven, a deputation shall be appointed by them not exceeding seven for the purpose of the particular negotiation.

10. Negotiations under this agreement may be instituted either by the management or by the workmen concerned.

11. The recognition of shop stewards is accorded in order that a further safeguard may be provided against disputes arising between the employers and their workpeople.

12. Any questions which may arise out of the operation of this agreement shall be brought before the executive of the trade union concerned or the federation, as the case may be.

It will be observed that recognition was given to shop stewards chosen by the unions. Nevertheless, the Coventry idea of workers' committees, looking towards One Big Union, irrespective of crafts, persisted among the shop stewards and must make itself felt in the unions. It is to be noted, in addition, that the agreement of December 20, 1917, was brought about as the result of a conference between the employers' federation and the trade unions; that is, the unions obtained help from the employers, or *vice versa*, in measures to hold the extremists within bounds; but in doing so the employers gave ground.



In effect, what has to be reckoned with is not merely shop stewards and their works committees, but a point of view represented by the so-called "Shop Stewards' Movement," in whatever form it appears, which aims at a control of industry.

Such an influence, therefore, varying according to the strength of the "rank and file" within the unions, will color the claims and action of works committees. Indeed, the committees formed under the Whitley plan will undoubtedly have to face these influences and the persistent claim for an increasing control over industry. The question is: At what limit of control will the demands be satisfied? If the extremists more and more dominate the labor organizations, their radical demands will increase; and British industry will be marked by the passing of management into the hands of those who have contributed no capital to the enterprise. The issue is clearly joined. At what limit must the employer make a stand and refuse further concessions in the interest of national efficiency of production?

Committees, or stewards, or any machinery of communication between the employers and workers, are not in themselves the real solution of labor troubles. The crux of the matter is, what policy, what objectives, have the workers in mind, for the accomplishment of which the machinery of committees, stewards, or unions are created? Radical ideas, if they get in, will permeate general thinking on labor, just as dye will color the water in any cask, no matter what kind of a cask it is. As Mr. Cole has said,<sup>1</sup> the Shop Stewards' Movement

"provides at least the nucleus of the machinery through which trade unionists can hope, by gradual extension of their power, to assume control in the workshop."

## § 5. EXPANSION OF FUNCTIONS OF SHOP STEWARDS

In their origin, shop stewards began as trade union delegates to watch over the observance of union rules regarding the details of workshop conditions. It has been learned that the workers can exercise control over the workshop only through some organization within the workshop. The original shop steward was a repre-

<sup>1</sup> Cole, G. D. H.: "The New Forces in British Labor," *The Dial*, December 14, 1918, pp. 539-41.

sentative of his craft, and usually a skilled craftsman. But with the war came many semi-skilled and unskilled workmen into the shops not represented by the former type of steward. The fundamental idea of the Shop Steward Movement is an amalgamation into one union of all the workers of a given industry, irrespective of skill. This jumps with the larger conception of One Big Union of all industries, to be used, if necessary, in a general strike.

It was the technical and administrative problems within the workshop, mainly connected during the war with the conflict of interests between the skilled and the unskilled workers due to the introduction of automatic machinery and "dilution," which brought shop stewards to the front. Such a situation raised further questions as to "payment by results" and basic piece-rates. Whatever general agreements were made, inevitably there would be a need of determining their local application in the individual workshop. Hence the proposal for the appointment by the workers of a separate rate-fixer to adjust rates with the rate-fixer of the firm.<sup>1</sup> Such an official, however, under whatever name, would be the equivalent of a shop steward.

In still another way is the encroachment on management proposed by urging the selection of foremen by the workers themselves. Leaving disciplinary questions aside, the technical duties of the foreman bring him into direct contact with the workers and their shop stewards. Most employers would naturally regard the selection of foremen as an essential function of the management. To transfer the appointment of foremen to the workers would obviously mean — to quote Mr. Cole<sup>2</sup> — "that the shop stewards shall take the place of the foremen appointed by the management."

Where employers express opposition to dealing with shop committees, it most frequently results from lack of confidence in the shop stewards. They prefer to bargain with long established officials of the trade unions whose conservatism is a surer guarantee of the permanent character of the agreement. In the cotton trade, where a very elaborate and successful system of collective bargaining has been worked out, the shop steward system is practically non-existent and not favored at all by cotton mill

<sup>1</sup> Cf. Sidney Webb: "The Works Manager Today," pp. 55-102.

<sup>2</sup> *The Dial*, December 14, 1918.

operators. The secretary of the Federation of English Cotton Spinners and Manufacturers' Associations expressed the view that shop stewards in other industries are usually agitators, who work contrary to the policies of the union officials. Nearly the same situation exists in the Engineering Employers' Federation, which refuses to recognize unofficial shop stewards, because their labor agreement through the constitutional leaders of the unions is precise and definite in its machinery for arbitration. The secretary of this federation spoke cordially of their relations with the trade unions and was of the opinion that the Shop Steward Movement would "settle down."

This statement coincided with the opinion of a Scottish employer, who felt that the shop stewards could not break down conservative trade unionism. He said that the shop stewards had made many efforts to obtain control of industry, but so far had been defeated every time. He personally differed from most manufacturers in the country, in holding that the worker's pretensions should be fought. He would not compromise with them and said that manufacturers who compromised were yielding on principles vital to industry. He believed the ultimate result of present tendencies would be a considerable strike, in which the radicals would be utterly broken.

#### § 6. UNION TO ABSORB SHOP STEWARDS

In frequent instances, however, arrangements have been made with the union for employers to treat directly with the shop stewards.

The director of production in a small arms manufacturing establishment said that there had been shop stewards in the works for many years but they were not recognized by the unions until two or three years ago, when the unions decided it was better to recognize them than fight them. Originally the shop stewards were not appointed by the unions but had the backing of the men in the shops. The shop stewards formerly tried to get concessions by unconstitutional means; later their procedure was in line with union methods. Their early attempt was to improve their position by getting something for the workers which the unions could not get. They tried to break away from the unions, secure all the funds and the authority. These attempts were more successful, the director stated, in London than in the Birmingham district.

The unions recently asked this company to recognize the shop stewards in order that they might become a link in the chain of unionization. About six months before the Commission's study of conditions, the company agreed to handle labor disputes through the shop stewards, but during that time the latter had never come forward with any proposition. The manufacturers require that the stewards shall be appointed by the unions. A man with a grievance now goes first to the shop steward for redress; and the stewards handle many of the personal matters satisfactorily.

In answer to a question as to the advisability of the shop committee method of management, the director stated that it might be all right if the functions of the committee were adequately defined. The trouble is that the radicals in an organization will not define its position. Therefore he would advise keeping away from the shop committee plan as long as possible.

The representatives of an engineering firm reported that the company can get on very satisfactorily, as long as they negotiate directly with the unions, but the shop stewards, who are usually young men or agitators, cause all the trouble. Hence they are trying to strengthen the hands of the union leaders and to hold down the shop stewards. They also related the experience of another establishment manufacturing range finders and apparatus which required highly skilled workers. The employers have done everything possible for the men. A works committee was started, but it was captured by the extremists. They presented such radical demands as a share in the management and profits. Instead of helping matters, the works committee created a barrier between masters and men.

The success of the radicals in obtaining control in this plant corresponds to the admission by a government official that an open election of shop committees would probably result in shop stewards of the Coventry type being elected. Several employers indicated that they considered shop stewards to be Bolshevistic. An explanation of these radical tendencies was offered by the Assistant Secretary of the Chief Industrial Commissioner. He claimed that the general educational system of Great Britain had awakened the minds of some men of great ability in the working class. These men entered trades and after a few years found themselves facing a future that offered little opportunity for their advancement. Under such circumstances they grew restless and dis-

contented, and speedily became leaders of revolt. These were the men who gave labor its intellectual strength and formed the shop steward movement.

That increased power in the hands of the shop stewards tends to disorganize the unions was the opinion of the secretary of the Iron and Steel Trades Association. This organization is a federation of three unions covering 38,000 workpeople. The secretary said that the system of organization in his federation offered no opportunity for what are called official shop stewards, i.e., those appointed by the union. Organizers (whose functions are somewhat similar to those of shop stewards) were appointed by the executive of the federation, which thus kept a check on men who were their local agents. On the other hand, the Amalgamated Society of Engineers, which had long had official shop stewards, had less central control and more local autonomy. In illustration of the effect of local autonomy the secretary said that the central executive of the A. S. E. had recently obtained an injunction against one of its district branches.

This view as to the present disorganization was corroborated by the director concerned with labor in one of the establishments visited by the Commission. He regarded the "rank-and-file" movement as the most serious aspect of the situation. Men are breaking away from the restraints and agreements of their stewards as well as from their trade union delegates.

The following account of an interview with several shop stewards by a representative of the Commission makes clear their general attitude, plans, and hopes.

Among the shop stewards present was one who had been twice imprisoned under the Munitions Act for inciting men to strike, and now could get no work in any engineering establishment, and was devoting his time to propaganda. At this new job he could not get enough to live upon, and was compelled to take up repairing in his old trade. A second was the chairman of the local shop stewards' committee, while the third was a foreman in a local factory that had arisen during the war, where most of the men present were employed, and where *alone in Cozenry*, shop stewards received recognition from employers. The reasonableness and moderation displayed respectively by these men was in inverse order to that in which they have been named. The two former shop stewards had been in America, the first in Chicago, the second in Pittsburgh.



These shop stewards were all loud in their denunciation of the executive officials of the trade unions. The men themselves were each trade unionists of many years' standing, and the local shop stewards' chairman was a member of the local executive committee of the A. S. E. They had not made up their minds whether the right course for the movement was to work from within the trade union movement and alter it by evolutionary methods, or seek to smash it by revolution. They held that trade unionism was too autocratic to be permitted to continue as at present, and yet feared that the masses were too "apathetic" to support revolutionary methods. Their protests against the executive officials of their union (A. S. E.) contained the following counts:

1. The officials are too far removed from local conditions and from the problems of the workshop. This well-worn complaint was enunciated in all its fullness.
2. The officials are not responsible to the workers for their actions, nor do they consult them even when ostensibly fighting their cause. Thus, in the various strikes which had occurred at Coventry, the executive officials were alleged never to have consulted the strikers as to their grievances. This charge probably meant that they had never consulted the shop stewards. It was alleged, further, that the officials had discussed the question of the dismissal of the head shop steward of a certain firm with the employer, although the man in question had never been interviewed on the matter by the executive. This complaint was given as first-hand evidence by the steward, who had a seat on the local executive of the A. S. E. There is certainly very bad blood between the shop stewards and the district secretary of the A. S. E. The latter is held responsible for the failure of the shop stewards to get the footing they sought.
3. The officials are often not representative of the workers. Thus, the president of the local executive of the A. S. E. had received only a total of 500 votes at his election, although the town contained thousands of members of his craft.

The shop stewards, in contradistinction, seek "democratic organization" of industry, with the employees in the workshop as the ultimate source of sovereignty. They hold that workers' committees (shop stewards) should be elected by all the workers in the workshops, without regard to craft, and all questions of policy and action should be referred back to the rank and file for ratification. A local dispute arising, the course of action to be taken would be decided by public discussion of all the employees in all the workshops, who would give a mandate to their representatives, the shop stewards. A national stoppage would be decided upon in the

same way. No provision exists in this cumbrous machinery for settling disputes.

The ultimate end of the shop steward movement was acknowledged to be that of obtaining a large measure of control over industry. The movement seemed to its supporters the obvious means for securing such control. The two essential men in industrial organization whose places must be filled before control of industry by the workers can be achieved are the foremen and the rate-fixer. The shop steward is obviously the rival of, and in the minds of his supporters a better man than, the foreman. In matters of discipline and supervision the stewards, in shops where they were recognized, practically reduced the foreman to the position of a looker-on. In technical matters, many shop stewards were at least equally as well fitted as any foreman to supervise mechanical operations. Speaking generally, whatever the shop organization adopted, the steward could readily and effectively replace the foreman.

In the establishments where they worked, and where the shop stewards had a large voice in affairs, the time-rate was the fairly low one of two shillings and six pence an hour, but there were many men whose rates were equal to six shillings an hour. This was in a new firm which had learned that it could afford high wages as long as it got high productivity. If employers, according to these stewards, could learn that lesson, and could see that democratically elected shop stewards could be as efficient as the present foremen and rate-fixers, the "control of industry" demanded by the leaders in the shop steward movement would be beneficial to everybody. The control they demanded did not go any further than above defined. Problems of buying and selling and of finance were beyond the dreams or the capacities of the workers.

The workers present at this interview, however, were very dubious of the future of the shop steward movement. It had been defeated in Coventry, and, from their standpoint, had lost its opportunity. It was in the same position in the Clyde and elsewhere in the North. It had no footing in the South at all.

The general discussion revealed two other points:

1. The chairman of the Shop Stewards' Committee, who was Chief Shop Steward in the establishment where he worked, exercised the same privilege as Kirkwood claimed at Glasgow, in March, 1916, namely, that of leaving his work (piecework) at any time to go around the factory to deal with any matter covered by his functions as a shop steward. This privilege was never challenged by any one except the head of the firm, whose challenge consisted merely in wanting to know the business on which the chief shop steward might be engaged at the moment of meeting.

2. The "recognition" granted in Coventry in December, 1917, was not the sort of recognition fought for. It was merely recognition of official shop stewards. The A. S. E., which refused to sign the agreement of December 20, 1917, agreed only to the first four articles, and sought for a larger sphere for the shop stewards. What the A. S. E. sought has not been revealed in published form, though the strained relations between the shop stewards and the local A. S. E. lead one to believe that its aims would not be identical with those of the shop stewards.

## CHAPTER VIII

### WORKS COMMITTEES

#### § 1. JUSTIFICATION OF WORKS COMMITTEES IN THEIR SIMPLEST FORM

A means of communication between employers and workers is a practical necessity; matters of mutual interest necessarily arise for common consideration. There must be, moreover, the machinery for discussion of the many questions sure to develop respecting shop practices, grievances, wages, hours, and the like. Hence the natural development of some body which would represent the workers in conferences with the managers regarding affairs in the shops. This need arises even where the employer is dealing directly with his own men without interference from outside influences. The practical situation, however, due to the purpose of unions to impose general rules in behalf of workmen in the shop, due to the rank-and-file movement, and due to very extreme demands for a share in the management, calls for adjustment of problems of a complicated character. This makes the dealings of an employer with his workers far from simple.

As part of this machinery for aiding in a joint understanding great reliance has been placed by some on shop committees. Sometimes there are found obstinate employers who refuse to allow any interference with their self-devised policies in regard to everything relating to the management of the shop. Also, there are employers who can establish cordial relations with the men in their employ, no matter how numerous, without any intervening body. But, in the main, the psychology behind works committees is found in the very human tendency to have grievances due to misunderstandings or through distrust of what is unknown. Hence, it has been claimed that real friction can be avoided by providing a means for the ventilation of grievances in the stage before they have become acute. Sometimes, by common discussion and mutual exchange of information, the so-called grievances may be shown to be unfounded and are disposed of before

they take on any importance. If all employers and all workers were reasonable and fair-minded the matter might be left at this point; but the yeasting of unrest is here; new demands are being made, and control of industry is being claimed. Under these circumstances a variety of considerations arise to be discussed.

## § 2. KINDS OF WORKS COMMITTEES

Although shop stewards have long existed in establishments as the watchers for their unions, shop committees are of recent origin, being mostly the outcome of war conditions. Various functions have been assumed by committees, such as the following:

- (1) Social Union Committees, which are made up from the workers for the furtherance of games, recreation, study-circles, picnics, and the like.
- (2) Welfare Committees, which deal with shop conditions, such as ventilation, dressing and wash rooms, sanitation, provision for heating tea-cans, canteens, and the like.
- (3) Industrial Committees, which deal with work conditions, hours, piecework, and remuneration of labor within the works.

For our investigation we were concerned primarily only with the last of these three kinds. It was urged, however, that industrial committees, which are engaged on controversial questions, should not have control of welfare and social activities, because they are likely to develop a spirit of partisanship which is alien to the spirit of harmony and good fellowship. The relation of employers to workers on vital industrial matters appears in connection only with industrial works committees; and the functions claimed by these committees vary with their make-up. They vary from matters of shop conditions to the executive control of the industry; and much depends on whether or not they are made up of shop stewards or some one chosen from the "rank and file." First, we may take up the cases concerned with simple shop questions, with no jurisdiction over wages.

It is apparent that the successful functioning of shop committees under these conditions must be in large part dependent upon the attitude of management and men in the individual establishment. Where the disposition to co-operate already exists, conditions will be favorable to



such a system. The experience of a large electrical manufacturing firm, which itself took the initiative in the installation of shop committees, is enlightening in this connection:

The manager of the works, who is heartily in accord with the union methods of handling the relations between employers and employees, believes firmly in the shop committee method. He is continually developing and strengthening the committee idea. In an interview with members of the Commission he expressed the view that, with tact, broad-mindedness, and the capacity for leadership, a works manager can get far better results from his organization if a strong shop committee exists.

In closing he stated that employers generally in England see that it will take great tact and integrity to restore normal conditions. During the war these employers have gone a long way toward appreciation of the workmen's side of the case, and he believed that unless there were an explosion in the near future, a proper solution of the problem would be found.

This attitude of confidence on the part of the management is evidently to a considerable degree reciprocated by the men. The chairman of the works committee in this establishment is a man of unusual intelligence and character. He is a boring-mill hand and a pieceworker. When occupied with committee affairs he is paid on a day basis. Although the company would be glad to pay him three or four times his present wage if he would take a position as foreman, he prefers to devote his life to the interests of the workingmen, which he handles in a very intelligent and broadminded manner. He came to meet the Commission in his overalls and with his hands covered with oil, but was entirely at his ease in discussing labor matters. Although he was self-educated, chiefly by use of a private library in his native town, he used the best of language. He is a Socialist and a member of the Labour Party, and otherwise an advocate of advanced ideas.

Eventually, he said, the men wish to have representatives on the board of directors of the company. They realized, however, that the time had not yet come for this. He claimed that a director appointed from among the men could contribute more than many of the present directors, who usually know very little about the business. He pointed to the co-operative societies as evidence of the managerial ability of workmen. The Co-operative Wholesale Society does a business of a hundred million pounds sterling per year.

Through all his conversation the chairman of the works committee showed that he realized the necessity to the company of making a profit and that the workers must produce

efficiently to accomplish this. If shop committees could always be led by men of this type, there would be no question as to their justification. It was evident, however, that only the greatest justness and steadiness on his part could preserve his standing with the men. They were already suspicious of him, because he is frequently called into conference in the manager's office. While the company would gladly pay for the time he has to spend on grievances, he cannot accept this, as it would undermine the confidence of the men.

The Commission obtained considerable information regarding the organization of the works committee by this company. It was formed at the end of January, 1917. Each shop and department has an elected representative, from whom in turn the members of the works committee, fifteen in number, are selected. They meet in conference with two representatives of the management, one of these being the works manager himself. Although officially he has only one vote and only the same privileges as the rest of the committee, his position gives him more weight than any other member. Through the full weekly record of the proceedings, the management is kept informed of all differences or grievances expressed in the committee. As the management discovered that it might be advantageous to bring the superintendents and foremen into closer touch with these problems, it was later arranged that superintendents in turn should attend the weekly meetings, while foremen are represented by a delegate from the foremen's association.

Problems handled by the works committee are of mutual interest to management and men. Among those considered are apprentice training, ventilation of canteens, traveling facilities, and similar questions. A matter which has caused friction between foremen and men is the submission of patentable ideas. Works committees have assisted the management to know more about those trifling vexations which nevertheless hinder production, lower efficiency, or ultimately lead to strikes. Indeed, one of the most important functions of the committee is the consideration of individual complaints. Its effectiveness in this respect is demonstrated by the fact that it has settled ninety per cent of the grievances. The subject of wages is not under the jurisdiction of the committee.

A representative of the company gave a specific instance to show how intelligent shop committees can get at facts and comprehend economics. As the company had found it could buy iron castings more cheaply than it was producing them, it considered closing its own foundry. The shop committee was called in for a conference and the situation explained to its members. They were told that, inasmuch as a decision to close the foundry would throw a considerable number of men

out of employment, the management thought the workmen should understand the circumstance and give the management the benefit of any suggestions. The committee quickly put its finger on the weak spot in the situation. They investigated conditions at the foundry from which the castings were to be bought and found that higher piece-rates were being paid there than in the company's own foundry. The difference in cost was not due to the direct labor costs but to the overhead expense involved in the maintenance by the company of an expensive selling organization with offices in various cities, a staff for development work and other large general expenses not necessary in a foundry. It was this large overhead expense, spread over the foundry as well as the other departments of the business, which produced the apparently high cost of castings.

In other cases where works committees have been successfully inaugurated, it appeared that there had already been a long record of successful dealing with employees. The Builders' Federation, which believes in works committees as a means of redressing grievances and securing peace and quiet in the trade, had already formulated a plan of its own prior to the adoption of the Whitley scheme.

A firm which has an international reputation for its welfare work has a works council consisting of sixty members. The unusual size of this committee is due to the insistence of the workers that every department of the works be represented. This large council represents only one per cent of the total employees. Although the management declined to allow election of foremen by the works committee, it does submit the name of a proposed foreman for discussion and criticism, final voice being reserved to the directors.

No foreman has the absolute right of discharge, but his proposal must be endorsed by the board of directors. Even then the man has the right to put his case before the works council or the trade unions for review. This practice corresponds to the demand of a radical British labor man that the employer be required to demonstrate before a committee of workers his reason for discharging an employee. This speaker claimed that the workers do not want anything to do with technical or commercial aspects of business, but to have a voice in the conditions under which they worked. It is to be noted that this does not correspond to the ultimate demands cited above as expressed by the chairman of a works committee.

Another question submitted to the works committee is the allocation of hours, their number being determined by the

management. Other matters which have come before the committee of this firm are the yearly holiday and means of securing co-operative enjoyment of it, the hospital work at the establishment, libraries, and the place of the administrative staff on the council.

The general tendency in organized trades is for shop stewards to be elected to the shop committee. In the view of one government official, works committees should be composed of the official shop stewards, that is, those recognized and endorsed by the trade unions. In any case, the members of these committees would be trade union representatives. It would seem preferable that each union in a shop, provided it were reasonably strong, should have a representative in the works committee. Such representatives would under normal circumstances be the shop stewards who are the officially accredited representatives of the unions in the shops. It was pointed out that in such a case the shop steward would be only indirectly elected by his fellows and the question was asked, what would be likely to happen in case of an open election of representatives to the shop committee? It was admitted that unofficial shop stewards of the Glasgow and Coventry type, of the rank-and-file movement, would be likely to be elected, and the matter would then become an internal one for the trade unions. The official view seemed to be that recognition of the trade unions entailed the co-ordination of the shop stewards with the works committee system:

In a manufacturing establishment widely known for its satisfactory labor conditions, shop stewards elected by the workers and endorsed by the trade unions are recognized by the firm. Complaints on trade union points are heard through the shop stewards, but they have intimated to the firm that "not one tenth of the complaints they hear are ever brought to the management."

In the woolen and worsted trades, according to the secretary of their association, works committees have not yet arisen. Shop stewards, meaning trade union representatives of the men in particular occupations and mills, do exist and are more or less semi-officially recognized.

The works manager of one company, which has had no strikes during the war and only one strike in twelve years, stated that a very considerable portion of his time is occupied

in meeting committees and in handling labor questions in their plant. When a committee is called into conference by the company, their time is paid by the company at the established day rates, but when the committee calls the meeting its members lose their time.

In this case the committees are elected in the association rooms of the unions and are made up of the shop stewards selected by the different unions. While the shop stewards, as such, represent the particular unions, the shop committee represents the employees of the entire plant. The works manager said that not more than twenty-five per cent of the men attend an election, largely because British workmen are lethargic and follow the self-appointed leaders. Nevertheless, the committees are fairly representative, as they are composed of men who can formulate and express opinions most clearly. A secret ballot on the company's premises would not make any material difference in the personnel of the committees.

The works manager of an establishment manufacturing lace nets gave an account of the firm's experience with works committees to a member of the Commission. This factory is situated in an agricultural district where there is no labor competition. The workpeople possess high technical skill and moral character. Prior to the war they had no union affiliations. To secure some means of making their representations to the management, a works committee was inaugurated many years ago. Elected representatives of the workers met the management regularly or when some special occasion arose. No attempt was made to give the management equal representation. The works manager met the committee, calling in any foreman or superintendent who might be concerned in the matter in dispute. In the opinion of the works manager this system was a great success. There had never been a strike in the works, and the management never made any changes in wages, methods of wage payments, hours of labor, conditions, etc., without first acquainting the works committee of its intention and working out a plan agreeable to both parties. Since the formation of the Whitley Council in the industry, as the workers realized that they had no voice in the Council, being unorganized, a fair proportion of them had joined the union.

While the isolated situation of this factory gave it rather unusual opportunities to work out its labor problems on a satisfactory basis, its experience goes far to show how much depends upon the spirit of both the workers and the management. In the absence of outside pressure, the workers would probably have continued unor-



ganized, so far as trade union affiliations were concerned. This situation, however, was evidently based upon mutual respect and fair dealing.

A clear distinction should be maintained between the shop committee and the shop stewards. As already stated, the shop committee is often chiefly or wholly composed of shop stewards. But, in general, the shop steward was a recognized trade union official elected by his shopmates authorized to perform certain functions in the particular plant, long before shop committees came into existence. During the war, however, these shop stewards, whose chief duties were originally the collection of union dues and the enforcement of union rules, came to be more and more the representatives of the workers to the management, even to the point of usurping the functions of trade union officials empowered to deal with employers. This growing power of the shop stewards, together with their radical tendencies, as demonstrated at Coventry and elsewhere, has aroused very considerable friction within many of the unions.

### § 3. COMMITTEES AS MACHINERY FOR SETTLING DIFFERENCES

It must be obvious that very much depends upon the functions and policies assigned to, or assumed by, a works committee. In itself a committee means little; the purpose and spirit which animate it mean a great deal. A committee dominated by men representing the workers in a non-union shop and dealing directly with an employer is one thing; a committee representing the policies of the established labor unions is another; and a committee composed of shop stewards representing the rank-and-file movement is still another. Therefore no general statement about the desirability of creating works committees can be made. In themselves they are no remedy for discontent. What really matters is that, under existing conditions of unrest, the demands of labor are so extreme that they cannot be granted without the destruction of industry.

It is the point of view rather than the machinery of joint discussion through which such views are conveyed which is pivotal. If committees come determined to ask for control of industry and nationalization, labor

troubles are not settled by discussion. The methods of the Triple Alliance are a sufficient illustration of this statement. It shows a rather naïve state of mind to assume in these days that works committees are a cure-all. There is no remedy but such an education in economics as will make clear to laborers and to the people in general that certain demands now urgently pressed by labor leaders aim directly at the loss of national prosperity. Committees in themselves are merely the machinery through which conflicting claims are presented.

#### § 4. SHOP STEWARDS ON COMMITTEES

We have previously given testimony regarding committees exercising simple functions with no control over wages. They gradually, however, take on additional powers. The shop stewards found opportunity for activity on committees for the arrangement of piece-rates, especially on new work which was not covered by the shop "log," or list of piece-rates that had been established by previous negotiations between employers and trade unions. From time to time new functions were assumed.

During the war, when the Government controlled industries, some experience was had with local joint committees of employers and employees. But this experience bears rather on the weakness of governmental management than on the value of committees. Early in the war such local committees had been organized in a number of places. After the Munitions of War Act, 1915, the Departmental Labor officers, under the bureaucratic impulse, assumed greater power for themselves. To this both employers and workmen objected and urged the return to local committees. An agreement was reached in February, 1916, on which the labor comment<sup>1</sup> was as follows:

"The whole question of Local Joint Committees has been remitted to the Ministry of Munitions. It has, however, been remitted under certain guarantees: (i) Local Committees are to be established in every area; (ii) on these Local Committees the engineering unions are to elect the workers' representative; (iii) the Local Committees are to be empowered to act as initial courts; (iv) before them are to come cases that may lead to serious difficulties, and they are

<sup>1</sup> *The Herald*, a radical labor weekly, edited by George Lansbury.

to have power to settle them; these local courts are to have power to issue leaving certificates, and thus to take from the Munitions Tribunals their main and irritating function."

That is, the war led to arrangements by which new powers were taken over by joint committees. These local committees were introduced in various munition areas of the metal industries. Likewise, under some of the Control Boards, notably the Cotton Control Board and the Department of the Coal Controller (both under the Board of Trade) joint committees were established.

As an example of how an extension of privileges is seized upon by existing committees, the case<sup>1</sup> of Sir William Beardmore & Company, of Glasgow, may be cited: As the result of dilution, the following were the first articles of an agreement reached in March, 1916:

Section 1. That the income of the new class of labor be fixed, not on the sex, previous training, or experience of the workers, but on the amount of work performed, every effort being made to secure the maximum of output.

Section 2. That a committee appointed by the skilled workers be accepted by the employers with power to see that this arrangement (respecting rates of wages for "the new class of labor") is loyally carried out. Failing agreement between employers and committee, the matter to be referred to a final tribunal, mutually arranged, or, failing agreement, appointed by the Board of Trade.

Soon after this agreement had been made a strike broke out at the Parkhead Works, the origin of which was thus explained by Dr. Christopher Addison, then Parliamentary Secretary to the Office of Munitions, to the Commons, March 28, 1916:

"The present series of strikes commenced on March 17th, when one of the members of this committee (the Clyde Workers' Committee) insisted that he should be entitled during working hours, without the permission of the management, to leave his work in his own department for the purpose of investigating what was being done with unskilled labor, interviewing the women introduced, and examining into their rate of wages and other matters. The management, whilst offering to afford the men all reasonable facilities for this purpose, felt themselves unable to accede to his request and referred the matter to the Clyde Commissioners. The man

<sup>1</sup> *The Engineer*, March 3, 1916.

in question (one Kirkwood), however, and his associates declined, in breach of their own agreement, to place the matter before the Commissioners and succeeded in bringing out about one thousand men in these works."

In effect, the skilled workers had chosen their convener and his associated shop stewards as the committee under Section 2 of the Agreement, men who represented the "rank and file." Whereupon the Amalgamated Society of Engineers repudiated the strike as unauthorized by their union; but the strike, which was really for the recognition of the Shop Steward Movement, went on. Some of the leaders of the workers' committee, among whom was Kirkwood, were arrested and deported. Finally, the men returned to work, but in the end the shop stewards forced the unions to regularize them.

In one establishment your Commission found that a works committee had been started but that it had been captured by the extremists. They insisted on a share in the management and a share of profits, submitting demands which were absolutely impossible. Instead of helping to bring about a satisfactory relation, the works committee created a barrier between the employers and their workers. There was a tremendous strike in 1918. A bad situation was created which will require a long period of time to overcome.

As an example of still further encroachment on the functions of the management by works committees is the proposal of the "collective contract," by which the workers assume the whole work of production throughout the establishment.<sup>1</sup> The Paisley Trades and Labour Council suggested that a works committee should act

as the sole medium of contact between the firm and the workers, and to exercise full bargaining powers on behalf of the men and women in the department in fixing time allowance where the premium bonus operates, and rates where piece-work obtains. Individual bargaining disappears; collective contract supplants it.

Under such a system the workers would do a piece of work in their own way, under foremen and supervisors appointed by themselves. The employer's foreman would then be only the agent of the employer, inspecting and

<sup>1</sup> S. G. Hobson: "The Collective Contract," *The New Age*, August 29, 1918.

accepting the work of the contracting group of workers. Matters of discipline would pass into the hands of the works committee, elected by all the trade unionists or all the workers.

When the Whitehead Torpedo Works, Ltd., proposed a Joint Council, after the suggestion of the Whitley Committee in 1918, the workers responded by offering the plan of a "collective contract." Individual piecework would be abolished. The works committee, fully representative of the different trade unions, would take the contract, hire the workmen, regulate the hours of work, and supervise apprentices and their vocational training. This scheme was claimed to be only a short step along the road to industrial democracy, since there would still remain the "iniquitous wage system," together with the control of capital and industry by the capitalist; "that even a small share in control brings the power to restore the defensive position and make it stronger."

#### § 5. FUNCTIONS OF COMMITTEES

The functions of a simple works committee, working in connection with the individual employers include, perhaps, (*a*) the inquiry into grievances reported by the workmen; (*b*) the discussion with the management of those it considered genuine; (*c*) consideration of complaints about wages and piece-rates affecting individuals; (*d*) examination of questions relating to the health and safety of the workmen; (*e*) consultation with the management on awards, orders, and circulars; and (*f*) a consideration generally of conditions of work in the shop. Such committees are usually made up only of workers, and are distinct from joint councils formed from both employers and employees.

We have seen, however, that works committees may extend their functions far beyond those of the type just mentioned; that is, everything depends on the state of mind in those who elect and form these committees. A useful piece of machinery may be turned into a revolutionary instrument.

As regards the theory that industrial unrest can be removed by the creation of machinery for joint discussion, it is to be observed that the success of such proposals



depends on the assumption that a spirit of fairness and good will already exists on both sides. The testimony given above shows that in the discontent of today, such an assumption cannot be taken for granted. In very truth, the main thing to be kept in mind is not the mere machinery for discussion, but whether the new demands are in their nature such as can be granted without weakening industry.

## CHAPTER IX

### EIGHT-HOUR DAY

#### § 1. GREAT BRITAIN

The weekly hours of employment in Great Britain prior to the war centered somewhere around the figure 54. An investigation made by the Board of Trade in 1906 showed that the average hours in a full week in the textile industry were somewhere near 55; in the clothing trades — that is, clothing, boots and shoes, hats, gloves, and even in laundries — it was from 50 to 54 hours.

These hours prevailed at the outbreak of the war, and, where not increased by the pressure for munitions, continued until the end. Thus, after the armistice, hours are reported as follows in specified trades: textiles, both wool and cotton, 55½ hours per week; engineering trades, 54, and even 58, per week; boot and shoe operatives, 52½ hours per week. It may be stated, therefore, that the average weekly hours in British industry up to the close of the war was about 54.

Legislative efforts to reduce hours date far back, but are found in most recent form in the Factory and Workshop Act, 1901, which applies to the labor of women, and boys and girls between thirteen and eighteen years of age. The restrictions imposed by this act, summarized, are as follows:

- (1) The maximum weekly hours for such persons was 60.
- (2) Sunday labor was forbidden.
- (3) Night work was forbidden for women and girls, but was allowed for boys over fourteen years of age in such trades as blast furnaces and iron mills.
- (4) No woman, boy, or girl, could be employed continuously for more than 5 hours without a meal interval of at least one-half hour.
- (5) Women, but not boys and girls, might be employed in certain industries for two hours' overtime beyond the ordinary daily hours (which were not to exceed 10½) on any day except Saturday, but not for more than three days in any one week, or 30 days in any one year.

No restrictions were placed upon the hours of employment of men.

Though the legal hours of employment of women and young persons were as high as 60, in actual practice the weekly hours prior to the war were substantially below the limits stated. This was partly due to the action of employers, and partly to the action of trade unions which had forced shorter hours for males, thus automatically reducing the hours for women below the legal limit.

The war produced an important extension of the hours of labor. The Health of Mmunition Workers Committee (1918) in its Final Report states the position thus:<sup>1</sup>

At a very early stage of the war the ordinary restrictions on hours of employment were widely relaxed. Sunday labor, previously forbidden for women and young persons, and practically unknown for men save in a few continuous processes, became common. Night employment, which for fifty years had been abolished entirely for women and in the main for boys, became regular. The strain of these hours, in itself severe, was increased through large numbers of men and women taken into employment being unaccustomed to such labor, or being physically less able to bear the strain than the selected body of laborers previously employed. . . . The employment of men for 70 to 90 hours a week was common, for over 90 hours was not infrequent, and there were even cases of hours in excess of 100. The highly skilled workers (tool and gaugemakers, tool-setters, etc.), were generally the most difficult to obtain and were thus most frequently employed for long hours.

These abnormally long hours were purely a war-time measure, and in those circumstances, it is significant to examine the grounds on which they were adopted. These grounds are stated in the Report thus:<sup>2</sup>

1. The dearth of workers and other causes prevented any general adoption of the shift system.
2. The demand for output was urgent and immediate, and had to be met even at some risk of future breakdown.
3. Patriotism introduced a new incentive which rendered unreliable all previous experience as to the number of hours which could be successfully worked.
4. Even though the rate of output might be reduced, and the cost of working increased, these long hours did result in a larger output than short hours would have done.

<sup>1</sup> "Health of Mmunition Workers' Committee, Final Report," p. 30.

<sup>2</sup> *Ibid.*, p. 30.

The maximum hours worked by women is suggested in a General Order from the Home Office in September, 1915, by which women and boys and girls over sixteen were allowed to work 67½ hours a week. But overtime was allowed, so that in special cases women employed as munition workers toiled for 70 to 80 hours a week.

As the strain of the war is responsible for some considerable part of the existing situation, it is significant, in considering the question of hours of work, to note the effect of the long hours worked under national stress. The Committee on Health of Munition Workers stated the "serious objections" to these long hours, based on certain physiological and psychological results:<sup>1</sup>

1. They [long hours] are liable to impose too severe a strain on the workers.
2. A large proportion of the hours gained may be lost through broken time; the workers become exhausted and take a rest; sickness tends to increase, at any rate among the older men and those of a weak constitution.
3. They lead to an undue curtailment of the periods of rest and sleep available for those who have to travel long distances to and from their work.
4. The fatigue entailed increases the temptations of men to indulge in the consumption of alcohol. They are too tired to eat, and therefore seek a "stimulant."

By January, 1916, it was clear that hours should be reduced. In that month the Health of Munition Workers' Committee suggested that the average weekly hours of employment for men should not exceed 65 to 67, exclusive of mealtimes, spread over a 13 or 14 hour working-day; that boys under sixteen should be limited to 60 hours per week, and forbidden to work at night; and that employment for women and girls should be limited to 60 hours. In a general order from the Home Office in September, 1916, the hours for women, boys, and girls were reduced to something approximating the recommendations of the committee. There was also a somewhat general reduction in hours in munition establishments, thus reducing the hours of men. Nevertheless, the Health of Munition Workers' Committee, in its Final Report (April, 1918), advocated that hours of work should be further reduced. Their

<sup>1</sup> "Health of Munition Workers' Committee, Final Report," p. 30.

conclusions, which are of interest because of the various factors taken into account, follow:<sup>1</sup>

1. The scientific data collected for the committee and the experience gained during the past two years combine to support the view that the length of hours of employment provisionally recommended two years ago are now too long and can be reduced without loss of output.
2. By economizing time, apart from any increased rapidity of working, the hourly rate of output can be considerably increased.
3. Though hours of work have been much reduced during the past two years, the time is ripe for further substantial reductions. What the extent of the reduction should be in any particular case can only be determined after considering a number of factors such as the physical or mental strain of the work, the extent to which the pace of the work is governed by the machine, the factory environment, the physical capacity, the age, sex, and experience of the worker, the suitability of the food taken by the worker, the arrangement of hours of work and conditions outside the factory, e.g., housing and transit.

No evidence is available as to what action was taken in munition factories in consequence of this report.

With the signing of the armistice, a powerful agitation commenced for shorter hours. This movement is connected directly with the long hours and the intense strain of the war period. The long hours of the munition factories brought an appreciation of leisure as an element which labor was demanding to secure better living conditions. There was also a widespread desire to find in the reduced hours a temporary remedy for unemployment. Indirectly the demand for shorter hours is connected with that for a share in the control of management. The workers held that the immense productive capacity of industry manifested during the war left a margin for reduced hours, and that a voice for labor on questions of control would assist in maintaining that margin.

The first industry from which the demand arose was the engineering trades, which promptly asked for a 44-hour week, instead of the 54-hour week in general vogue. The employers rejected the demand, but the two chief employers' associations, the Engineering and National Employers' Federation and the Shipbuilding Employers' Federation, met with the Amalgamated Society of Engi-

<sup>1</sup> "Health of Munition Workers' Committee, Final Report," p. 122.



neers and the unions affiliated to the Engineering and Shipbuilding Trades' Federation, and agreed upon a 47-hour week without any reduction in wages. This offer was submitted to a ballot of the unionists of the engineering trades, and was carried by 286,545 votes to 148,526. Today these employers intend to stand firm for no reduction below 48 hours per week. The executive of the railway unions agreed to accept for the railway workshops the same conditions as the engineers had adopted. This agreement for the 47-hour week provided also that time rates for day and night shifts and all premium bonus earnings were to be increased so as to bring the earnings on the reduced hours up to the level of previous earnings. No changes, however, were to be made in piece-rates or "lieu" rates. The starting hour was advanced considerably in most establishments, and the breakfast interval was done away with. The questions of piece and "lieu" rates and the starting hour proved exceedingly troublesome. Further, although the total vote taken by the Associated Society of Engineers and allied unions was affirmative, the boilermakers, as a separate union, carried a vote against the agreement, and several other unions, such as pattern makers and shipwrights, had substantial minorities against it. Consequently, when the altered domestic arrangements, arising from the different hour of starting, proved inconvenient, and a widespread reduction of earnings resulted from working reduced hours at unaltered piece-rates, there was considerable trouble in the engineering and shipbuilding trades. This lasted all through the month of January, 1919. Practically all the strikes that resulted were unauthorized, and the employers in the industry lent their support to the trade union officials who were endeavoring to hold their men to the ballot and the agreement.

The position was complicated by a demand in Scotland for a 40-hour week, based on the alleged need for reduced hours to remedy the unemployment of demobilized soldiers and sailors. This demand led to considerable trouble in Glasgow and along the Clyde. These strikes also were, in general, unauthorized by the Engineering and Shipbuilding Trades Federation, though backed by the Scottish Trade Union Congress and by several of the Scottish trade unions. In this case, again, the employers and even the Government supported the trade union executives in their endeavor to secure the working

of the 47-hour scheme. The effect of this turmoil upon the attitude of Scottish employers towards trade unions was, however, apparent at the time of the visit of the Commission. It should also be added that the Executive Committee of the Amalgamated Society of Engineers suspended their secretaries and committees in three districts because of their unconstitutional and unauthorized action.

The railwaymen also began to agitate soon after the armistice for an 8-hour day. Early in January, the President of the Board of Trade, who is responsible for the administration of the railways, announced that the principle of the 8-hour day was conceded and would be given effect from February 1st. The several systems of hours in vogue made the application of the principle one of considerable difficulty, and led to protracted negotiations. The question of whether a definite meal period was to be allotted and was, or was not, to be included in the 8-hour day was one of the most vexing problems. The "advanced" sections of the men sought to obtain an 8-hour day "over all," that is, including mealtimes, the equivalent of only about 42 hours duty per week. Eventually, a settlement was reached that the standard week was to consist of 48 hours, the standard week's wages were to be guaranteed, overtime paid for time worked each day in excess of the standard, meal hours and similar arrangements to remain unaltered.

The miners, who had had an 8-hour day for several years, preferred at the same time a demand for a 6-hour day. The results of their demands and what was granted them are discussed fully in a later chapter.<sup>1</sup>

From the Transport Workers' Federation came a demand for a 44-hour week. The employers offered a 48-hour standard week, and the Minister of Labour suggested that the question of hours be submitted to arbitration. Employers refused the latter suggestion. Eventually, after protracted negotiation, the 44-hour week was secured without loss of earnings.

In the textile industries a similar movement took place. The woolen and worsted section of this industry dealt with the matter through its Joint Standing Industrial Council, which had been formed before the plan suggested by the Whitley Commission. Representatives of the

<sup>1</sup> See Chapter XXII, page 343.

employees on this council asked for a reduction of hours from  $55\frac{1}{2}$  to 44 per week. The employers were ready for a reduction, and no difficulty was experienced in arriving at a compromise of 48 hours per week. In the cotton industry a similar demand was made, that is, for a reduction from  $55\frac{1}{2}$  to 44 hours per week. In this case, the trade was in a bad way, because of restrictions and the submarine blockade. Its future, too, was a matter of deep concern. Such a serious reduction threatened to increase the cost of production greatly and to make competition difficult in the world market, because a shortening of hours and the time during which the machinery was running, clearly reduced the quantity of the product. The employers, therefore, offered a reduction to  $49\frac{1}{2}$  hours a week. The matter was discussed for months in the joint committees characteristic of this industry. Eventually, a strike precipitated the acceptance of the employers' later offer of a 48-hour week.

In other industries a similar movement was taking place. The hours prevailing in each, according to latest information of reduction,<sup>1</sup> are shown in the following table:

- 49 Hours: Silk.
- 48 Hours: Iron and steel.  
Tramway workers.  
Omnibus drivers.  
Laundry workers.  
Textile bleaching and dyeing.  
Hosiery.  
Furniture warehousing.  
Bobbin and shuttle making.  
Saddlery and harness making.  
Clay industries.  
Carpet making.  
Boot and shoe.
- 47 Hours: Gas workers (dayworkers).  
Furniture makers.  
Rubber.  
Flour milling (dayworkers).  
Tinplate (dayworkers).  
Spelter (dayworkers).  
Farriers.  
Vehicle builders.  
Jewelry makers.  
Chemical workers.  
Match makers.

<sup>1</sup> See *Labour Gazette*, January-June, 1919.

44 *Hours:* Engineers and firemen in cold storage works.  
Plumbers.  
Dock laborers.  
Flour milling (shift workers).  
Pottery makers.  
Building trade operatives (Scotland).  
Confectionery workers.

This list by no means represents the sum total of reduction in hours achieved in Great Britain. Many trades which have not decided upon a uniform week have submitted to considerable reductions in hours, perhaps temporarily, to absorb unemployed members of the trade or probably as an experiment.

Further, the general preponderance of the 48 and 47 hour week in the above list does not represent a position of stable equilibrium. The workers are not satisfied with these hours. There is a general demand for a 44-hour week. The various unions in the engineering trade have authorized their executives by an overwhelming vote to approach the employers with a request for the 44-hour week without reduction of earnings. Negotiations are now proceeding, but the employers are unwilling to go below 48 hours. The National Federation of General Workers, too, which is strong in numbers though not in cohesion, is also putting forward a demand for the 44-hour week. As this federation comprises the less skilled and unskilled workers in the smaller and more scattered industries, compliance with this demand would bring many industries into the 44-hour group.

The question of hours of employment has been a matter for consideration by the provisional joint committee of the National Industrial Conference. The committee, which consisted of 30 employers, representing as many trades and industries, and 30 trade unionists, representing an equal number of trade unions, was

unanimous in recommending the principle of a legal maximum of normal hours per week for all employed persons. The number of hours they recommend is 48; but they recognize that this number may be reduced by agreement, and that there are also exceptional cases in which it may be necessary that it should be increased.

Its detailed recommendations include suggestions that a maximum week of 48 hours should be legally established

by act of Parliament, and should apply generally to all employed persons. Provision, however, should be made for exemption or variation where an agreement had been reached between representative organizations of employers and employed for a lower or higher maximum, and for action to consider a variation where no such agreement had been reached.

Since this committee reported on April 4th, it has given attention to the terms of a draft bill prepared by the Ministry of Labour to give effect to their recommendations. The announcement has been made<sup>1</sup> that agreement had been reached between the Minister and the joint committee, and that the bill would soon be presented to Parliament. It should be noted that this measure, which will provide for a basic 48-hour week rather than an 8-hour day, represents a practical proposal commanding the united support of employers and employed. There is, however, among certain groups of laborers, a demand for a 44-hour week, or one even shorter.

## § 2. FRANCE

The prevailing hours in French industry before the war were from 10 to 10½ hours per day. In the language of the labor code, in which the hour named was fixed as and from March, 1913, the day's work of an adult man in factories was not to exceed 10 hours of effective labor. For women eighteen years of age and over the same regulation was in force, except that periods of rest not less than an hour in all were to be allowed in the course of the day. By a decree of June 30, 1913, women employed in certain seasonal industries could be employed at night for a maximum of 10 hours. This night work must not be prolonged beyond 12 hours out of the 24, nor exceed 60 days in the course of the year. In contrast, miners and underground workers had the 8-hour day by a decree dated December 31, 1913.

With the opening of the year 1919, the question of the 8-hour day came up, chiefly through political influences. Left to themselves no very active demand would have come from the workers themselves. It came in connection with the resolutions of the Commission on International Labor Legislation attached to the Peace Com-

<sup>1</sup> *The Times*, London, June 17, 1919, p. 10.



mission. In addition, the political influence of the recommendations made by the National Industrial Conference in Great Britain and those which the Government in Italy brought to bear on employers, were used to affect the French action. Indeed, as regards the United States, it was wrongly stated that a national 8-hour day was already in force. On this basis, they argued that France could not remain behind these other countries. Thus the pressure in favor of the law was largely political.

Your Commission was informed that no serious demand for the 8-hour day came from the general rank and file of the workers. Nor did the employers willingly accept the principle. Legislative action came about by pressure from governmental sources. A proposed 8-Hour Law was drawn up by M. Colliard, Minister of Labor, and submitted to the Chamber of Deputies, and to a joint commission of employers and trade unionists. This committee was that set up by employers' associations and trade unions to guide the French section of the Commission on International Labor Legislation.

The employers on this committee protested in a published statement, April 2d, against the proposed law and pointed out the grave economic position of the country, putting forth the following statements:

1. That the total production of France before the war was about eight billion dollars.
2. That nearly 2,000,000 workers, or about 9 per cent of those engaged in industry, commerce, and agriculture, had been killed or maimed.
3. That in this loss of workers, France had been struck one and a half times more than Germany, two and a half times more than Belgium, five times more than England and Italy, fifty-six times more than the United States.
4. Together with the frightful reduction in births, the effects of which would be felt even until 1950, the diminution of 20 per cent in the hours of labor from 10 to 8 would cause a reduction in the total production of France of about 30 per cent, which, on the figure of pre-war production, would mean about \$2,400,000,000, only a small part of which could be won back by increased production.

Arguing on this basis, the employers declared their certain belief that a uniform and rapid reduction in the hours of labor would exert a disastrous influence on

national production. While denying that France was "notoriously backward" in the use of machinery, they declared that machinery and mechanical organization could not make up the deficit, for they would be inapplicable in the many small industries whose works represented 90 per cent of the factories of France.<sup>1</sup>

Having pointed out the economic error which, in their opinion, was about to be committed, and realizing that the political circumstances were beyond their control, these employers admitted that it would be neither wise for them to postpone the practical examination of the proposal, nor practical to refuse their collaboration in studying the manner of its application and in diminishing its dangers. It was in this spirit of grave dismay and to this extent that the employers of France endorsed the legislative 8-hour day.

The attitude of the workers' representatives was that production could be maintained and to that effect they have given their promise. They seem to believe that with an intelligent use of the principles of scientific management and an increased use of machinery, much can be done to make up for the inevitable loss of production. In a labor program drawn up by Léon Jouhaux (*Les Travailleurs devant la Paix*) this general attitude is expressed as follows:

For the working class — a maximum production in minimum working time for maximum wage.

For the producer — maximum development of shop equipment to produce maximum output with minimum expense of production.

It must be said to their credit that French workers give not even the shadow of endorsement to the "ca'canny" methods of the British trade unionist. But it must also be said that there is much "slack" in the organization of French factories. Employers remarked that the French workpeople were not disposed to steady, continuous effort. They are slow in getting started, and like to walk around considerably. While this condition admits of the possibility of increased hourly production, it, nevertheless, serves to show the extent of the challenge which the 8-hour day makes upon French industry. The difficulties

<sup>1</sup> Cf. Chapter XVIII, § 5.

in increasing and perfecting machinery and in finding an increased work force were not faced in any discussion preliminary to the passage of the bill.

The legislative proposal was introduced April 8th, passed April 17th by the Chamber of Deputies, and by the Senate April 18, 1919. The law was immediately proclaimed. It provided that in all industrial and commercial establishments the duration of effective labor was not to exceed either 8 hours per day or 48 hours per week, or an equivalent limitation established over a period of time other than a week. The law applied to all industrial and commercial establishments, public or private, lay or clerical, educational or charitable. The public administration was to lay down rules as to the operation of the law in each occupation, industry, commerce, or class of business, either in the whole territory or for any one region. These regulations are to take effect at the request of one or more organizations of employers or workers, national or regional. In all cases these organizations are to be consulted, and should report within a month. These rules, moreover, should accord with agreements (wherever they exist) between the organizations of employers and workers. The regulations are expected to deal especially with:

1. The distribution of the 48 hours per week so as to allow a rest on Saturday afternoon, or any equivalent arrangement.
2. Arrangement of hours in any other period than a week.
3. The extension of the actual hours of labor obtaining in any occupation or business shall be spread over such periods as will conform to the general provisions of the law.
4. Allowances for apprentices or occasional labor.
5. Allowances for temporary emergencies or the national needs.
6. Fixing the hours of rest and of effective labor.
7. The region to which the rules apply.

A second article declares that no reduction of wages is to follow the reduction in hours.

The law made no provision for the date at which it was to come into operation. It established the principle, leaving to the industries concerned to make those adjustments called for by the endorsement of the principle. It was expected that a reasonable time would be allowed employers to arrange for the altered organization of their workshops. Many industries were able to fix June 1st

for the application of the 8-hour day. But the readjustment of wage scales, particularly piece-rates and minimum rates, gave much trouble. In consequence, few industries were really adjusted to the new conditions by June 1st, and a whole crop of strikes arose. Before the 8-hour law had been passed an agreement on the same basis had been entered into between the employers and workers in the metal trades. In the discussion they were concerned chiefly with the methods of application of the principle. The difficulties in the way of its application were chiefly those incidental to the inauguration of three shifts instead of two, viz., the modification and increase of machinery and the recruiting of an enlarged work force. The agreement which covered the metal and allied trades provided for a day of 8 hours effective labor. The unions asserted in the agreement their willingness "to adapt themselves sympathetically to the development of machinery and to rational methods of work so that production should rapidly find that equilibrium indispensable to the general well-being." The agreement stipulated that the 8-hour day should not come into force until June 1, 1919, while in foundries where processes were continuous, employers would have until six months after the signing of peace to make the necessary adjustments.

The strike in the metal trades, which broke out in June, was in strange contrast to the agreement arrived at in April, 1919. The difficulties encountered in this trade will illustrate the whole situation throughout France in June, 1919. The agreement signed in April by the metal trades had provided for either 8 hours worked per day or a weekly maximum of 48 hours with the Saturday half holiday. Later the workers claimed a minimum wage, specifying weekly payments for various grades with equal pay for women. Further trouble arose over the regulation of piece-rates and the question of maintaining production. The employers held that, although time rates were to be the same for the shorter day, there was no provision made for revision of piece-rates except in the case where, without modification of machinery, these rates would not permit the workers to reach their usual earnings. The workers replied that it was incumbent on the employers to transform their machinery and introduce modern methods. The workers said: "With that [machinery] which we possess, it is impossible for us to furnish in eight hours what we furnish now in ten." Other smaller

matters of safety and welfare seemed to have been brought forward. Agreement was not reached; the metal workers struck and had not resumed work at the end of June.

The miners, among whom the 8-hour day was in operation, also struck for a new calculation of the 8-hour day. According to the law of December 31, 1913, the day's labor in mines was to count from the usual hour of entrance into the pits of the last workers going down to that of the first workers coming up. The miners now asked that it should be counted from the first man down to the last man up. It was estimated that this would mean only 6 hours 50 minutes or 7 hours effective work. The official reporter to the Senate,<sup>1</sup> in discussing this situation, pointed out that a great diminution of production was to be expected. Already France was in need of fifty million tons of coal yearly, to be obtained from other countries, and further reduction of her own production would be disastrous. Nor were the French miners any more successful than the British in maintaining production. The following figures for the first four months of 1918 and 1919 were supplied to the Senate:

MONTHLY PRODUCTION IN TONS OF FRENCH COAL MINES  
FOR JANUARY-MAY, 1918, AND JANUARY-MAY, 1919

Month	1918	1919
January . . . . .	2,045,000	2,304,000
February . . . . .	2,455,000	2,034,000
March . . . . .	2,681,000	1,887,000
April . . . . .	2,243,000	1,635,000
May . . . . .	1,896,000	1,595,000
Total . . . . .	11,320,000	9,455,000

The Government at first opposed the miners' demand, but suddenly "changed face" and adopted a projected law which granted their demands. This law was promulgated on June 24, 1919.

In some other industries the 10-hour law is still in effect.

After some experience with the working of the 8-hour day, certain French manufacturers have voiced their complaint against the operation of the 8-hour law in French industry during this critical period. Many articles have appeared in the French press on this subject. One in

<sup>1</sup> See verbatim report, *L'Information*, "Ouvrière et Sociale," June 22, 1919, p. 3.



*The Figaro* suggests that it may be necessary to permit some flexibility in the application of the 8-hour law, especially at this time. *La Chambre syndicale du Cycle et de l'Automobile*, on July 16th, addressed to the Minister of Labor an open letter which appeared in many French papers. They urged in this letter that the application of the 8-hour day at present will be disastrous to this type of industry and that for some time to come the old workday should be restored. In reply to this letter, the Secretary of the C. G. T., M. Léon Jouhaux, in an article in *La Bataille* of August 26th, declared that organized labor shall stand fast for the application of the 8-hour day in all industries.<sup>1</sup>

### § 3. ITALY

Up to the month of February, 1919, the day's work in most Italian industries ranged from 10 to 10½ hours, or from 60 to 66 per week. After the close of the war, the demand for an 8-hour day arose. This demand may have been due to the reaction from the long hours previously worked, but its two chief grounds lay in the fear of unemployment due to the demobilization of the troops and in the general movement in labor circles in Great Britain and France in favor of an 8-hour day. The strength of the fear of unemployment is shown by the unreadiness of the Italian Government to demobilize its troops. By June, 1919, in which month a majority of American and British soldiers had been demobilized, Italy had demobilized only 2,200,000 of her troops, and still had nearly 2,000,000 in service. Her industries were not ready to absorb these troops; hence the demand on the part of the workers for reduced hours.

The earliest of the recent efforts to obtain an 8-hour day was initiated at a congress of the *Confederazione del Lavoro* (Confederation of Labor) held at Milan in September, 1918. This gathering adopted the 8-hour day as one of the post-war demands. From the signing of the armistice, the various trade unions affiliated began to take steps to approach employers. In February, 1919, a meeting was held with employers in the metal trades, and an agreement arrived at. A working week of 48 hours was to be introduced in the engineering section from May 1st, and in continuous processes from July 1st.

<sup>1</sup> *L'Information*, "Ouvrière et Sociale," August 28, 1919.

The agreement specifies<sup>1</sup> that in engineering establishments, shipbuilding yards, and allied trades, hours were to be reduced from 60 or 55 to 48 per week. In foundries, where continuous processes were worked, a two-shift system of 12 hours each was to give way to a three-shift system of 8 hours. It was agreed that the shifts were to be worked, where possible, without an increase in the work force. The weekly schedule in the case of such shift of workers could be varied from the 48-hour week, but was not to total more than 144 hours in three weeks.

The next industry in which the 8-hour day was asked was the textile industry. In this industry the position of the manufacturers was exceedingly difficult. It was generally understood that the unions were taking advantage of the critical situation produced by the difficulties in securing the peace terms demanded by Italy, and were threatening strikes and disorder. Under the pressure of the Government, who seemed anxious to prevent an upheaval at this time, the employers reluctantly acquiesced. Already the costs in the cotton mills, as compared with pre-war times, had been trebled. The shorter hours would add to this disability. Their views are presented in a resolution carried at a meeting of cotton manufacturers held in Milan on March 14th.<sup>2</sup> The resolution follows in full:

At a special meeting of cotton manufacturers the report of their delegates who were present at the conference with the representatives of the workers' organizations was read. It confirmed all the reasons of a technical and economic character which have convinced the cotton manufacturers that the reduction, at a single stroke, of the working week to 48 hours would (1) increase the cost of production in Italy in comparison with that of countries more advanced industrially, especially Great Britain (even if there, too, the hours be reduced to 48), so that it would become impossible for Italian goods to compete in foreign markets with British products; and (2) threaten seriously the Italian cotton export trade (which comprises 40 per cent of the total output). An immediate contraction of manufacturing activity must therefore be regarded as probable.

Consequently, the manufacturers, while declaring themselves ready to grant an immediate reduction of working time to 54 hours a week, maintain that further reductions could

<sup>1</sup> *Labour Gazette*, London, March, 1919, p. 86.

<sup>2</sup> See *Labour Gazette*, April, 1919, p. 128, quoting *La Tribuna*, March 15th.

and should be made in Italy at a date subsequent to reductions in countries more advanced industrially, and only after a sufficient interval for experiment and preparation. In any case it would be absolutely unjustifiable, from the logical point of view, to adopt the 48-hour week before its adoption in Great Britain.

On the other hand, in view of the declaration of the representatives of the textile trade unions that (while acknowledging the basis of the arguments advanced by the employers) it is their intention to obtain by any and every method (not excluding a strike) and not later than May 1st, the reduction of a working week to 48 hours for the textile trade throughout Italy: furthermore, in view of the declarations by the representatives of the General Federation of Italian Trade Unions, of its complete accord with the textile organizations, and of its intention to support the demand for reduced hours by all means in its power (including even a general strike of all workpeople), the manufacturers consider it their duty, in the difficult and hazardous period through which the country is passing, not merely to avoid taking the responsibility of refusing (which, in any case, would fall on the other side), but even to avoid the giving of a pretext for disorders of incalculable extent and seriousness. Consequently, the manufacturers intend to reduce the working week, as from May 1st, to 48 hours; but they disclaim responsibility for the results of the decreased economic activity which, in their opinion, will follow this reduction in working hours, to the detriment of both parties and of the country.

The manufacturers proceed to nominate the four delegates and three substitute delegates, who, acting in concert with delegates of other textile trades and representatives of the trade unions, are to construct a working timetable, the delegates being commissioned to make arrangements to insure:

- (1) that the new 48-hour week shall be enforced throughout Italy on May 1st;
- (2) that the same reform shall become international as soon as possible;
- (3) that the new working hours shall be strictly enforced in practice so as to guarantee a yearly total of hours on which manufacturers may rely and to make these hours real working hours, without exceptions of any kind; and
- (4) that the other demands of the workmen shall be duly moderated because of the full concession made by the employers in the matter of hours of work.

In the shipbuilding industry, your Commission was informed:

that already the principle of the 8-hour day had been accepted but that the details of its operation were to be determined upon later. Under the 8-hour day the laborers had not pro-

duced as much as in the 10 hours. Inasmuch as under the 10-hour day there has been slowness in arriving and departing and no strenuous working during the day, they thought that they were obtaining nearly as much in product under the 8-hour day as under the 10, and that the compensation for the difference was in the great tranquillity obtained by granting the request of the unions.

Another employer in this field said:

In regard to the problem of the 8-hour day, when they had the 10-hour day they practically got the equivalent of 9 hours of work, since men were slow in coming and early in getting away. Under the present arrangement of 8 hours, they were promised a better spirit of work. At the present moment the men were prompt in their attendance and the hours ran from 7.30 to 11.30 and 1.30 to 5.30. Nevertheless, he said, they did not get as much product as before under the 10 hours. When asked why they were willing to accept the 8-hour day, he reasoned that it was necessary for the employers to stand together.

In the silk industry where wages had been recently increased by 20 per cent, the proposal for an 8-hour day was regarded with dismay. One employer said:

Now there is a demand from the laborers for the 8-hour day with the same rate as formerly paid for 10 hours. To this we shall present strenuous opposition. This additional rise in wages means still greater cost of production and if carried through would mean ruin to the silk mills. In reeling and throwing silk, costs are now 40 per cent above those of Japan, who has already driven Italy out of the American market. Indeed, they had been presenting their case before the Government at Rome at the present moment. Although the Government had bought up the silk crop under a valorization scheme, it favored the 8-hour law. It would be absolutely impossible for them to accept the 8-hour law, and they objected to the passage of the law by Parliament and its enforcement in the industry; rather than accept the 8-hour day, they would be obliged to resort to lockouts. It was explained that the work on the silk required a very delicate touch and the hands of operatives must be in proper condition. If the 8-hour law were introduced, it would not mean that the workers (who were closely connected with the land) would cease from work those extra two hours. In actual fact, they would resort to rough work on the farms for two hours and their hands would be spoiled for the delicate silk work. From every point of view, they found the operation of that law in their industry was likely to be disastrous. In the silk industry it is not possible to use extra shifts of a shorter number of hours,

because they can work only in full daylight. In connection with the competition of Japan, the Swiss establishments had made a suggestion that Switzerland and Italy would accept the 8-hour law if Japan would, but Japan had refused.

On the general question, a high authority gave his opinion against the wisdom of the law:

As to the 8-hour law, it was not a good thing for the men, since a shortening of the hours only resulted in more drunkenness. The reduction of the hours under conditions where there are no pleasant gardens and homes for the men works badly. The resort to drinking places is an inevitable consequence of no desirable places for recreation.

An important financier confirmed this view:

In regard to the 8-hour law, he emphasized the fact that there were no clubs or suitable places for recreation for laborers; therefore, the reduction in hours to 8 would not only be no gain, but a positive loss to the men.

In Italy politics had already been interwoven with industrial questions. As has been said, only a small percentage of laborers is organized into unions; but the extreme radicals control them. They are the ones who make speeches, threaten, and, when striking, resort to violence. Thus they frighten the general body of peaceful workers into joining them in any crisis; and they succeed in intimidating the employers. In recent months, of course, the absorbing question in Italy has been her attitude to the proposed terms of peace. Taking advantage of this situation the extremists have increased their demands, and to avoid a general strike while the Peace Congress was in session at Paris, the Government brought great pressure to bear on employers to meet the demands of labor. As a consequence, not so much because of the demands of organized labor as to meet the exigencies of politics, the employers have generally accepted the principle of the 8-hour day.



## CHAPTER X

### MINIMUM WAGE

#### § 1. IN GREAT BRITAIN

The movement towards the establishment of a minimum wage in the United Kingdom arose from an outcry against "sweating" and underpayment in a number of trades in which women chiefly were employed. Much public agitation and discussion followed. A Sweated Industries Exhibition was held in London. An inquiry was made by the Board of Trade into earnings and hours, and revealed the wages of women in nearly every industry, except the cotton textiles, to be "below a decent subsistence level." A Select Committee of the House of Commons investigated the matter and proposed the establishment of Wages Boards for certain selected industries.

Out of the report of this committee sprang the Trade Boards Act of 1909, which specified four industries selected as not only the most sweated, but also those which, because of the varying economic factors affecting prices therein, were likely to afford the best field for experiment. In 1913 four additional trades were added. The war produced no change in the number or scope of the trade boards. The approach of peace, however, led to a new act, The Trade Boards Act of 1918, which aimed to simplify, expedite, and extend the procedure of the earlier act. In the dislocation of industry which could be expected after the war the problem of wages for unskilled and unorganized workers might come up. Women returning to their old trades from munition making, it was felt, might need to be protected against their own competition, while women remaining in occupations formerly confined to men might need the same type of protection against the returning soldiers. The new act simplified the procedure of administration so that any apparent need for action in an industry could be speedily met, widened the power of the Minister of Labour in applying the act to new trades, and accelerated the machinery.

The first four trades brought under Trade Boards in 1909, because the prevailing rate of wages therein was "exceptionally low as compared with that in other employments," were tailoring, paper-box making, lace finishing, and certain kinds of chain making. In 1913 the formation of boards was carried out in four other trades: Sugar confectionery and food-preserving, shirt-making, hollow-ware making, cotton and linen embroidery. Later the hollow-ware trade was divided in two, boards being established for metal hollow-ware and for tin boxes, respectively. The Act of 1909 provided that a separate Trade Board must be established in Ireland to deal with any one of the selected industries represented in that country. There were five of these. Hence, from 1913 to 1918, there were in existence nine Trade Boards in Great Britain and five in Ireland.

Since the passing of the act of 1918, the act has been extended, not to trades whose wages were "exceptionally low," but to those where, on account of defective organization, wages were unduly low or where there was reason to apprehend an undue fall in wages when the special war conditions had passed. Under the terms of this extended jurisdiction, the Minister of Labour has extended the application of the act to the following trades: aerated waters; tobacco; rope, twine, and net; boot and shoe repairing; laundry; paper bag; brush and broom; hair, brass, and fiber; corset; flax and hemp spinning; jute weaving; jute, flax, and hemp finishing; the fur trade; women's clothing, and the hat, cap, and millinery trades. This makes a total of fifteen new Trade Boards up to July 1, 1919.

Each Trade Board consists of two classes of members. First, it contains equal numbers of representatives of employers and of workers. As the latter have in many cases no organization through which they can elect representatives, the Board of Trade has the right alternatively to nominate on their behalf. It should be noted that these representatives need not themselves be either employers or workers. As a consequence, the employers included among their representatives on two boards their legal adviser, while the employees have had the help not only of trade union secretaries, but of men and women who took a leading part in the anti-sweating agitation.

Secondly, what are defined as neutral persons, are appointed to the Board by the Government department:

They are not officials of the department, but persons chosen from outside, selected in some cases for their special knowledge of industrial conditions, and in all on grounds which appear to insure that they will bring impartiality and intelligence to the consideration of the problems laid before them.<sup>1</sup>

This appointed element is restricted both in numbers and in power. It must always be less than half the total number of representatives of both parties on the Board. Thus the appointed members of the Chain Trade Board, the first one set up, number only three out of a total of fifteen. On the Tailoring Trade Board they number only five out of a total of forty-nine, and on the Box Trade Board, three out of thirty-five. In the deliberations of the Board, these members rarely initiate proposals or discussions. But their power is very considerable, since they have the determining voice in all matters on which agreement is not reached between the employers and the workers.

The chief function of a Trade Board is to fix minimum rates of wages, that is, the limit below which wages may not legally fall. Scales of wages are not set up, nor is there any implication that the minimum named is to be the maximum paid. Employers may offer, and workers may seek to secure, higher wages. A minimum time-rate must be fixed by each Trade Board, but piece-rates are optional. That is, in an industry where piece-rates prevail, the Board may fix the piece-rates or may leave them to the employers. In the latter case, however, it is obligatory upon him to calculate the rates so that earnings for an ordinary worker shall not fall below what would have been received on the minimum time-rate basis. The penalty for failure to pay the proper rates is to be not more than £20.

The work of the Boards has been to set out minimum rates in the various industries. As required by law, there had always to be a minimum time-rate fixed, but chain making and lace finishing are the only trades known to have minimum piece-rates as well. In certain sections of the box-making trade minimum piece-rates were fixed, but not for the whole trade. The provision that the employers' piece-rates should be so fixed as to allow the ordinary worker to earn an amount equivalent to what could be earned on the minimum time-rate, gave

<sup>1</sup> Constance Smith, "The Working of the Trade Boards Act in Great Britain and Ireland," *Journal of Political Economy*, July, 1914, p. 611.

some difficulty in certain trades. The trouble arose over the definition of "ordinary worker." No definition was adopted, but instead it was decreed that a certain proportion of workers must be earning at least the minimum as above defined. In the tailoring trade, this percentage was fixed at 80 and in the box making at 85 per cent. This allowed a fair margin for slow workers.

It should be noted that the wage rates fixed covered the lowest paid workers in the United Kingdom. In the following table will be found the time-rates and expected earnings for adult persons for the various boards in existence in 1916:<sup>1</sup>

MINIMUM TIME RATES AND EXPECTED EARNINGS FOR ADULTS IN VARIOUS INDUSTRIES UNDER TRADE BOARD ACT, 1916

Trade	Adult Males			Adult Females		
	Per Hour	Per Week	U. S. Curr.	Per Hour	Per Week	U. S. Curr.
Chain-making . .	5 <i>d.</i> to 7 <i>d.</i>	22 <i>s.</i> *	\$5.36	2 <i>3</i> / <sub>4</sub> <i>d.</i>	14 <i>s.</i> *	\$3.41
Tailoring . . . .	6 <i>d.</i>	25 <i>s.</i> 6 <i>d.</i>	6.21	3 <i>1</i> / <sub>2</sub> <i>d.</i>	14 <i>s.</i> 10 <i>1</i> / <sub>2</sub> <i>d.</i>	3.62
Paper-box making	6 <i>d.</i>	26 <i>s.</i>	6.33	3 <i>d.</i>	13 <i>s.</i>	3.16
Lace finishing . .	No males employed			2 <i>3</i> / <sub>4</sub> <i>d.</i>	11 <i>s.</i> 11 <i>d.</i>	2.90
Sugar, confection- ery, and food pre- serving . . . .	6 <i>d.</i>	26 <i>s.</i>	6.33	3 <i>d.</i>	13 <i>s.</i>	3.16
Tin-box making .	6 <i>d.</i>	26 <i>s.</i>	6.33	3 <i>1</i> / <sub>4</sub> <i>d.</i>	14 <i>s.</i> 1 <i>d.</i>	3.43
Hollow ware . . .	5 <i>1</i> / <sub>2</sub> <i>d.</i>	23 <i>s.</i> 10 <i>d.</i>	5.80	3 <i>d.</i>	13 <i>s.</i>	3.16

\*Average piece-rate earnings.

These wage rates, low as they are, represent a significant increase. In the case of the chain-making industry the piece-rates set represented an increase of from 19 to 67 per cent, according to the class of work done.<sup>2</sup> In the tailoring trades the increase is reported to have extended to at least 38 per cent of the women pieceworkers and about 25 per cent of the men.<sup>3</sup> In the box trade some 52 per cent of the workers would have received an increase of wages.<sup>4</sup>

<sup>1</sup> Labour Yearbook, London, 1916, p. 218; 1919, pp. 324-27.

<sup>2</sup> R. H. Tawney: "Studies in the Minimum Wage," 1914, p. 131.

<sup>3</sup> R. H. Tawney: "Minimum Rates in the Tailoring Industry," London, 1915, p. 253.

<sup>4</sup> M. E. Bulkeley: "Minimum Rates in the Box-Making Industry," London, 1915, p. 89.

In general it may be concluded that the Trade Boards have raised wages considerably, especially among the less skillful workers.

There is no general tendency for the minimum wage to become the maximum; on the contrary, it is the wage of the poorest paid that seems to have been raised, while that of the more efficient workers was less affected. The fixing of minimum rates in these unrepresentative trades is held to have resulted also in "better organization among the employers and in improvements in the equipment and organization of their factories."<sup>1</sup> Though prior to their extension, in 1918, they covered 375,000 workers, they cannot, because of the circumstances characterizing the industries included, be considerable factors in the industrial situation. Their chief value must always lie in the protection they afford to women and young persons in the less organized trades.

The first extension of the wage board outside the sweated trades occurred in 1912. In that year, the miners demanded a guaranteed general minimum wage, covering all grades of workers, though varying from district to district. The demand was enforced by a strike. After three weeks, the Asquith government brought in and passed the Coal Mines (Minimum Wage) Act, 1912. This act did not name any specific minimum daily wage, but adopted the principle that miners were entitled to a minimum wage if they complied with certain conditions as to regularity or efficiency of work. For the fixing of the minimum rates and the determination of the conditions as to regularity and efficiency of work, Joint District Boards were to be set up. These were to consist of equal numbers of representatives for employers and workmen, respectively, with an independent chairman appointed by agreement between the two sides, or, in default, by the Board of Trade. It is important to note that there had existed in each mining district a Conciliation Board or Joint Committee for the regulation of wages, and that, in almost every case, by slight modifications, this became the District Board.

The chief effect of this act seems to have been exerted upon the wages of the unskilled underground workers, who were upon a day-wage basis. These men form, next to the coal hewers, the most numerous group of em-

<sup>1</sup> See the official view of the Board of Trade, London, in Third Report, New York State Factory Investigating Commission. Appendix III, pp. 243-44.



ployees in the mine. Their average wage after the passing of the act was somewhere around five shillings a day or thirty shillings per week of six days.

The next extension of the principle was to agricultural laborers in terms of the Corn Production Act, 1917. This act provided for Wages Boards, constituted in the same form and for the same end as the Trade Boards. They are to consist of representatives of employers and workmen, in equal proportions, and of members appointed by the Board of Agriculture. They are to recommend minimum rates of wages, and differential rates for overtime employment. The principle governing the determination was that contained in the definition of minimum wages as

wages which in the opinion of the committee are adequate to promote efficiency, and to enable a man in ordinary case to maintain himself and his family in accordance with such standard of comfort as may be reasonable in relation to the nature of his occupation.

The act went a step farther than the Coal Mines (Minimum Wage) Act, 1912, in that it specified that the minimum time-rates fixed for able-bodied men must be such as would secure a weekly wage of at least 25 shillings a week. The first award of the Board specified a minimum of 30 shillings, and fixed the hours of work at 54 per week in summer and 48 in winter. Later awards extended this rate fairly widely over the country, but in certain parts the rate was made 35 shillings, 36 shillings, and even 36 shillings 6 pence per week. In March, 1919, all rates were revised, and approximately 6 shillings and 6 pence per week added, so that the range of wages is now from 36 shillings 6 pence to 42 shillings 6 pence.

During the war a minimum rate was fixed for women doing men's work in munitions. This was fixed at £1 and afterwards raised to 24 shillings.

The question of minimum wage in Great Britain was touched by the report of the Provisional Joint Committee of the National Industrial Conference, April 4, 1919. This committee, consisting of 30 employers and 30 representatives of the trade unions recommended that minimum time-rates of wages should be established by legal enactment, and ought to be of "universal applicability." It recommended, further, that a Commission should be appointed to report

as to what these rates should be, and by what methods and what successive steps they should be brought into operation.

## § 2. IN FRANCE

The minimum wage in France as in England arose out of an outcry against sweated labor in home work. Since the beginning of the present century many proposals of a law to deal with the matter had been made in the Chamber of Deputies. From 1910 the question became a practical one, though its progress through the Chambers was very slow. The law which is in force today was introduced in 1911, was carried unanimously by the Chamber of Deputies in October, 1913, and after a unanimous vote in the Senate and slight alterations became law on July 10, 1915. Its date makes it appear a war measure, but its history shows it to have arisen from the same social conditions and the same motives as prompted the English act.

The provisions of the law apply to all female workers executing work at home on clothing, hats, shoes, lingerie of all kinds, embroidery, lace, feathers, artificial flowers, and any other work entering into the clothing industry. The provisions of the law can be extended, however, on the advice of the *Conseil Supérieur de Travail* (Superior Labor Council), to homeworkers other than those named in the act.

The law provided that minimum rates of wages were to be fixed by the labor councils created by the Act of July 17, 1908. These councils consisted of equal numbers of employers and employees. But as few of these were actually in existence, the act provided that, in their absence, there should be two types of boards; one, *comités de salaires* (wages boards) and the other, *comités professionnels d'expertise* (board of trade experts). The wages boards were to consist of the justice of the peace in the chief town of each department, acting as *ex officio* president, two to four male or female home workers, and an equal number of employers in the industries named. The boards of trade experts were to be composed of two female workers and two employers of the clothing trade, with the justice of the peace as president.

It is the duty of the wages boards in each district to ascertain what is the average wage customarily paid to factory workers of the same profession and of average skill. On that basis it has to fix a minimum rate "such as will enable a female worker of average ability to earn

in ten hours a wage equal" to this average wage. This rate is necessarily a time-rate.

Where a piece-rate has to be fixed, on account of the nature of the work, the board of trade experts come into function. It is required to ascertain the average time necessary for the execution of piecework for all the various articles and the various classes of female workers in the occupations and districts subject to its jurisdiction. On the basis of this ascertainment of the average time required, a piecework rate is arrived at by multiplying the time required by the minimum time-rate set by the wages board. These minimum piece-rates, which prevail very largely in the industries covered, are to be revised every three years.

When a scale is fixed, it has to be announced and a period of three months allowed for appeals. These appeals may be made to a central commission sitting in the Ministry of Labor in Paris, and composed of equal numbers of employers and workers. If no appeal is taken, then, after the expiration of the period of three months, the minimum wage rate becomes compulsory upon employers.

In the administration of this law wages boards have been set up in all departments and all these boards have fixed minimum rates. Further, boards of trade experts have been set up in all but four departments. Up to October 1, 1918, these latter boards totaled 295,<sup>1</sup> of which 123 were for dressmaking, 84 for lingerie, 39 for footwear, and 35 for embroidery. In 1917, the latest year for which complete information is available, 6,445 employers and 215,218 employees were reported as being under the operation of the law.

The result of the scale of wages has been that wages of 15 centimes per hour (3 cents) have completely disappeared, while wages of less than 20 centimes (4 cents) only remain where cost of living is low.<sup>2</sup> Wages have been appreciably raised and brought nearer to the actual basic cost of living.<sup>3</sup>

Certain steps have been taken to give minimum wages to women employed on war work.<sup>4</sup> Thus, a minimum

<sup>1</sup> *Bulletin du Ministère de Travail*, October, 1918, pp. 362-84.

<sup>2</sup> Duchêne, G.: "Les Progrès de la législation sur le minimum de salaire." Paris, 1918, p. 62.

<sup>3</sup> *Ibid.*, p. 63.

<sup>4</sup> *Ibid.*, pp. 80-2.

piecework list for work on soldiers' clothing was set up early in the war. Minimum wages were named in regulations concerning the employment of women in base camps. The permanent commissions of arbitration and conciliation set up in January, 1917, to deal with disputes among munition workers were required to establish scales of minimum time and piece wages. These are described<sup>1</sup> as

basic wages below which one could not go, since they represented the sum considered indispensable for the existence of the worker.

In these cases the minimum wages fixed were 65 to 75 centimes (12½ to 15 cents) per hour, according to the nature of the work.

There is a movement towards the establishment of a minimum wage in other trades. In June, 1917, the Congress of Marine Workers passed a resolution demanding the establishment of minimum wages for the women in that vocation. In that year, after the strikes of the months of May and June, certain collective agreements contained minimum scales. In the demands of unions associated with the 8-hour day there is frequent mention of minimum wages. This was true in the case of the miners and metal workers, two of the strongest trade unions in France.

### § 3. IN ITALY

In Italy the demand for a minimum wage has risen more recently. It is now associated with the demand for an 8-hour day and is stronger in the metal industries than in those which in France and England have been associated with "sweating." Thus, in the textile industry in Italy, no pressing demand for a minimum wage has been made. The workers in this industry are mostly young peasant girls who enter at an early age and do not remain very long, as they generally marry. On the other hand, practically all the metal industries in Italy have agreed to the principle of the minimum wage, though at the time of the visit of the Commission no endeavor had been made to establish an agreed amount. The demand for such a wage is met also in the printing trade.

<sup>1</sup> Renard, G.: "Répercussions Economiques de la Guerre," p. 271. Paris, 1917.

A few figures were obtained to show a basic wage that is being contemplated for the minimum wage of the unskilled worker in Italy.

It has been proposed to fix the wage of the unskilled workmen at about 13 lire. Before the war these men earned 6 or 8 lire. Today the skilled men earn about 20 to 23 lire.

The question of the minimum wage had not reached a climax at the time your Commission visited Italy. A meeting was held at Turin on April 23, 1919, by the employers of most of the industries in northern Italy for the purpose of considering the matter of minimum wage. It was said at the time that the principle would undoubtedly be accepted.



## CHAPTER XI

### UNEMPLOYMENT

#### § 1. IN GREAT BRITAIN

The general problem of unemployment in Great Britain has received a considerable amount of attention. As an older country, where opportunities are restricted as they are not in the United States, where industrial stratification is more rigid, where the cycles of the world's trade are more keenly felt, and where there has been a surplus of labor, Great Britain is familiar with unemployment as a constantly recurring phenomenon. To the workers, the fear of unemployment is a constant nightmare. This fear was given to the Commission in many cases as the chief reason why the workpeople had restricted production and had demanded shorter working hours. They were laboring under the fallacy of the limited work-fund theory, a fallacy which is not confined to the laborers of Great Britain.

Action has been taken in Great Britain to avoid at least the worst effects of unemployment. The National Insurance Act, 1911-1916, contains provisions for unemployment insurance in certain highly skilled and munition trades, and for a subvention to trade unions that give out-of-work pay. A contribution of 5 pence weekly is made by the employer, who deducts one-half of it from the employee's wages. The state contributes one penny per head and all the expenses of administration. Out of the fund formed by these contributions, unemployment pay at the rate of 7 shillings per week is made to all who have been involuntarily unemployed for at least six days.

The unemployment existing in Great Britain at the time of the visit of the Commission was different in character and intensity from that which marked pre-war days. The latter was generally related to cycles of bad business or to the casual and disorganized character of certain industries. The former was a direct concomitant of the reconstruction period. It was an accompaniment of the huge turnover from war to peace.

The signing of the armistice brought to a close the period of intense war-time activity in the munition factories and foreshadowed the demobilization of the army. These factories, where nationally owned, were closed and their employees discharged. Where privately owned, they had to be converted from their functioning as munition factories to the manufacture of their former products.

In the process of conversion, the munition workers who could not be employed under the new conditions, especially women and certain semi-skilled men, were thrown into unemployment. Even the skilled hands would remain unemployed so long and so far as the industry was not able to return speedily to peace-time production. At the same time, a general movement of displacement of women by men went on with varying degrees of force, tending to increase the number of women unemployed.

The beginning of demobilization had a twofold effect upon the unemployment situation. In the first place, it threw a large number of men upon a labor market that was already overloaded, because of the difficulty of restarting under which industry was suffering. Secondly, as many employers had given a pledge to take back men previously employed, the demobilization of soldiers set up a differentiation against civilians, who were discharged to make room for soldiers. The figures for both soldiers and civilians were large. At least four million soldiers were to be demobilized, and at least a million civilians had entered industries where there would be no room for them.

In view of the seriousness of the position, judged by the numbers involved and the difficulty certain to be met in the readjustment of industry, the British Government had three courses open to it. It could have left each individual to find employment unassisted. It could have kept the munition factories busy until the signing of peace. It could give a form of unemployment benefit. In view of the large numbers who would be unemployed and of the large amount of industrial unrest that was already abroad, the first method was unsafe. The second was wasteful and demoralizing. The third method was in accordance with the principle of the country's national insurance scheme, and was the one adopted.

The full measures taken to adjust industry to the

new conditions of peace are to be found in an official notice from the Minister of Munitions, dated November 13, 1918, and addressed to contractors, subcontractors, and workpeople. This notice recognized that the task of transformation involved "the disturbance and dislocation of industries and workshops," and that "very large numbers of workpeople will have to change their employment, and in many cases their present abodes."

The measures proposed were "solely intended to bridge over the inevitable period of dislocation." These included the abolition of overtime, replacing piecework by time-work, and reducing hours on the same, and subsidizing wages on short time, where they fell below a minimum of 30 shillings per week for men and 25 shillings for women.

But the most significant measure taken was one providing for unemployment pay. This was apparently the fully prepared scheme of the British Government, worked out in advance of the signing of the armistice. The proclamation above referred to states:

To provide for the abnormal period that must immediately follow on the cessation of hostilities, the Government has adopted as a temporary measure the following general scheme of noncontributory unemployment donation, which has been laid before them by the Minister of Reconstruction in agreement with the Minister of Labour.

This scheme consisted in the payment of a noncontributory unemployment donation for a maximum of thirteen weeks out of the total period of six months during which the scheme was to be in force. Demobilized civil war workers were to receive weekly benefits on the following scale.

Men over eighteen years	24 shillings.
Women over eighteen years	20 shillings.
Boys	12 shillings.
Girls	10 shillings.

An allowance was also made of 6 shillings per week in respect of the first dependent child under fifteen years of age, and 3 shillings for each additional dependent child under that age. On December 12, 1918, in the midst of the general election, the allowances were increased thus:

Men over eighteen years	29 shillings.
Women over eighteen years	25 shillings
Boys	14 shillings 6 pence.
Girls	12 shillings 6 pence.

Towards the end of February it was clear that large numbers of people had not been able to get any employment, and had consequently exhausted the amount of assistance they might receive under the scheme. Further, it had become plain that the amount of the donation was such as to encourage idleness, and deter men and women from any assiduous search for employment.

Under the circumstances the Government decided to extend the scheme for a further period of six months, with the same restriction of pay to a maximum of thirteen weeks, but on a lower scale. The donation for men was reduced to 20 shillings, and for women to 15 shillings. This reduced scale has been in operation from May 24th.

At the same time members of the forces upon demobilization were entitled to receive, in addition to other allowances, an out-of-work donation during the twelve months following their demobilization for a maximum period not exceeding twenty-six weeks.

To avoid fraud several conditions were enforced. No payment was made for the first three days of unemployment. Holders of unemployment policies were required to sign them daily while out of work. Juveniles were required during the period of this unemployment to attend a course of instruction approved by the Board of Education. Persons applying for an additional policy providing for unemployment pay during the second six months must satisfy the Local Advisory Committee of the Employment Exchange that they were normally in employment, were genuinely seeking work and unable to obtain it. The test imposed in respect to the two latter conditions did not necessitate the acceptance of work at rates lower than the employment donation. Where work was refused, employment officers were at liberty to discontinue paying the employment grant, but the applicant could appeal to a Court of Referees.

The number of persons receiving unemployment donations has reached a high figure. The figures for women unemployed rose rapidly. By February 28, 1919, they were 494,471, and next week, March 7th, which marked the culmination of the number of civilians unemployed, they were 494,365.

In this latter week the number of men civilians unemployed reached its maximum, 234,402.

Including boys and girls, the total civilians drawing unemployment pay in this week of maximum figures was 790,521. Of these, as shown above, women formed 62.6 per cent, men 29.6 per cent.

At the same time the members of the forces were being demobilized, but with less speed. By May 9th, the figures among these persons had reached their maximum when they stood at 409,959. The maximum number of civilians and members of the forces applying for unemployment pay was 1,093,400, a total reached in the week of May 2d. By the end of June this figure had been reduced to 606,125, of whom 253,282, were civilians and 372,843 members of the forces.

The cost of the scheme during the period when the numbers were largest was estimated at £1,000,000 (\$4,866,500) a week. A total sum of £25,000,000 was set aside for the purpose of meeting the costs of the experiment.

It must be understood that the individuals included in the weekly totals did not remain continuously unemployed. Of the civilians recorded as unemployed up to June 27th, 85 per cent of the men and 90 per cent of the women had ceased to draw the donation. The corresponding average for demobilized men was 85. In other words, 85 per cent of the men demobilized from the army and 85 per cent of those dismissed from civilian employment had again been absorbed into industry, while 90 per cent of the women had found other employment, not necessarily in industry.<sup>1</sup> As the number of troops demobilized was officially given at over four millions and of civilians at between one and two millions, it is apparent that the process of adjustment had been on a large and successful scale. It is noteworthy, also, that employers were redeeming their promise to reinstate soldiers and sailors in their former employment, and in so doing had decreased the percentage of civilians obtaining reemployment.

The period within which work was found by the unemployed was, in the majority of cases, shorter than the maximum period of thirteen weeks during which the donation was payable. An analysis made by the Director of Statistics of the Ministry of Labour, covering 99 per cent of the policies lodged on May 2d, is of interest on this point.<sup>2</sup>

<sup>1</sup> *Labour Gazette*, May, 1919, p. 187.

<sup>2</sup> *Ibid.*



PERIOD OF PAYMENT ON UNEMPLOYMENT POLICIES LODGED MAY 2, 1919, DISTRIBUTED  
ACCORDING TO MILITARY STATUS AND SEX OF APPLICANTS

Duration of Payments	Civilians				Demobilized members of the forces				
	Men	Boys	Women	Girls	Total	Men	Women	Total	Grand Total
121-155 days . . . . .	1,139	51	2,310	36	3,536	5,695	23	5,718	9,254
79-120 days . . . . .	22,658	1,046	35,479	1,211	60,394	55,806	313	56,119	250,747
61-78 days . . . . .	33,206	2,896	94,537	3,595	134,234				
49-60 days . . . . .	23,592	2,237	50,380	2,774	78,983	304,974	792	305,766	738,558
1-48 days . . . . .	115,757	14,028	206,405	17,619	353,809	35,676	188	35,864	
Policies lodged but no payment made . . . . .	16,635	2,614	25,985	3,102	48,336				
Total . . . . .	212,987	22,872	415,096	28,337	679,292	402,151	1,316	403,467	1,082,759

Of the civilian total of 679,292, only 63,930, or a little over 9 per cent, were drawing donations for more than thirteen weeks at the reduced rates. At the end of June the percentage had increased to 27.4<sup>1</sup>. To the end of April the total number of extensions granted was 85,529, and the number refused, 27,587. Among the latter were 22,000 girls available for domestic service who had refused work of that kind. Most of these refusals on the part of the girls available for domestic service were referred to Courts of Referees and 17,000 of them were upheld.

Some of the difficulty encountered in placing persons in employment was due to the action of employers in offering wages at pre-war rates. Fifty per cent of the vacancies announced for officers from the army were at £250 (\$1,215+) a year. In other cases, persons employed in munitions or engaged in the trenches had lost their skill. Further, the normal paths of advancement in industry for young boys and apprentices had been seriously disturbed, so that a large measure of training was required before some of these could function efficiently in industry.

But the great difficulty was that industry was stagnant. Some of Great Britain's largest markets were closed to her, such as the Central Empires and Russia. Distant markets like China, Japan, Australia, and New Zealand were practically shut off by lack of shipping. Engineering works were, to a large extent, idle. There were at least 100,000 men out of work in that industry, and only 2,693 vacancies had been notified to exchanges. Unemployment was, therefore, correlated with stagnation in industry.

Criticism of the scheme came from various sources. To some men it was a dole, a relic of charity and the old Poor Law. To others it was a rash and thriftless expenditure of the public money, a "wild-cat" measure that would not exert its anticipated influence in stopping industrial unrest and unemployment. Some denounced it, quite rightly, in respect to the earlier payments made, as an obvious inducement to idleness. It should be noted that in practice it did not operate powerfully nor in a large number of cases, to prevent men seeking work. Much criticism was directed against the large number of women included in its provisions, the assertion being made that the majority of them were not employed before the war,

<sup>1</sup> *Labour Gazette*, July, 1919, p. 282.

were consequently returning to their domestic duties, and had no rightful claim to an unemployment donation. Some justification for this criticism is found in the fact that only 52 per cent of the women applied for an extension of their donation, and of that proportion 30 per cent were rejected. But, on the other hand, this number was stated by the Minister of Labour as only amounting to "roughly 40,000," or 10 per cent of the total number of women drawing unemployment pay. At the same time it must be remembered, in considering the number of women unemployed, that the cotton industry was suffering seriously from the effects of the blockade. The total unemployed therein was 100,000, at least 60 per cent of whom were women. Further, a total of 66,000 women had been placed in some form of domestic service since the armistice.

On the labor side the scheme was denounced as inadequate. The donation, especially after the announcement of its reduction, was declared to be too small. The reduction was received with bad grace. The administration of the act was condemned as harsh. It was said that women were being forced back into the sweated trades. It was held that the Government should do something to start industry moving, and to that end should set the national factories in operation under state control and carry forward its program of housing and public works.

Their complaint was that the Government had limited themselves in their policy merely to the plan of paying out state benefit. They had not taken steps to find out what the worker wanted. His first claim was to work, and his claim to state money came after the state's inability to find him work.

There were factories and workshops and many material means available which could be brought into close touch with Labour, which was willing, if the Government could overcome their objection to any kind of organized effort, to provide work instead of unemployment benefit. It was objected that this would not produce economic results, but it would pay the Government even to have production at a loss rather than paying out money week by week for providing nothing. It not only provided nothing, but brought in its train certain disadvantages harmful to the state as well as detrimental to individuals.<sup>1</sup>

<sup>1</sup> J. R. Clynes, M.P., speech in House of Commons, April 29, 1919, reported in *The Times*, April 30th.

While the Government did not take any action to operate the national factories, preferring rather to sell them to private enterprise, it made considerable sums available for housing, repairs to roads, erection of gas-works and waterworks, and other schemes.

The time is not opportune for a judgment upon the scheme. It is a temporary measure, a part of the long and difficult process of readjustment to peace conditions. The general tone of public criticism is not averse to it on principle. *The Times*, in an editorial,<sup>1</sup> says:

Indeed, the case for it as an interim policy between war and peace was overwhelming, and was hardly challenged in the House yesterday.

As a temporary measure it has ensured a certain amount of industrial peace. But a distinct fear was abroad that it would become a permanent feature and a continued monetary burden upon the country. No section of opinion was inclined to tolerate such a result.

## § 2. IN FRANCE

There is normally a shortage of labor in France, so that the question of unemployment has never loomed large there. It was necessary before the war to import workmen for seasonal demands from Belgium and Italy. If industry can once more get started toward its restoration, whatever idle labor there is in France will be quickly absorbed. Demobilization plans have been so arranged as to permit this absorption with the least possible degree of idleness.

One large manufacturer told the Commission:

There will be plenty of work for common labor on the highways, railroads, buildings, etc., but I am much concerned about the skilled men.

The Government has appropriated some 6,000,000 francs for public works, and engineers have been released from the army in order to get the work of restoring the devastated areas under way.

There has been in France the fully equipped machinery for dealing with unemployment, in the Bourses de Travail, or labor exchanges, of which there are 144 throughout

<sup>1</sup> April 30, 1919.

the country, with 486,404 "adhering effective syndicats."<sup>1</sup> These organizations, described in detail elsewhere,<sup>2</sup> are in touch with the whole situation. They are institutions established by organized labor itself and controlled by it. They supplanted the previous Government exchanges. Consequently, there has been no need for a war emergency organization to care for unemployment problems.

The real problem in France is to get business started; it is a problem of finance. If raw materials and coal can be had, if the wrecked plants in the occupied territories can be set running, the unemployment problem will disappear. In fact, there may then arise a situation wholly reversed; it may become a question of where sufficient labor power can be had. It was estimated to your Commission that about 25 per cent of the cotton mill capacity should be in condition to resume operations in six months, that the woolens, lace, carpet, and silk factories should have developed about the same relative capacity in the same period. At the time of our visit many manufacturers were having great difficulty in financing. The Government policy in restricting imports was further aggravating the difficult situation.

### § 3. IN ITALY

Unemployment was a vital problem in Italy when your Commission visited that country. There was need of coal and raw materials with which to start the factories and so increase the labor demand. The social and political situation was such that the Government did not dare to demobilize her troops and let them return to a jobless civil life. Fortunately Italy is essentially an agricultural country and does not present an unemployment problem of the character found in Great Britain.

The Italian situation is briefly summed up in the following words from an Italian thoroughly conversant with conditions:

The chief difficulty confronting Italy was that of the employment of the four million soldiers who would soon be demobilized. It was quite probable that emigration from the country would set in for two reasons. First, Italian agriculture could not expand so as to employ this large army, nor

<sup>1</sup> *Statistique générale*, p. 136.

<sup>2</sup> Cf. "Political Influences in French Labor Movement," Chap. XVIII, p. 272.



were the industries of Italy in such a condition as to absorb them. Italy was in need of raw materials, and of financial credit which would enable industry to be restarted. Secondly, emigration to neighboring countries for seasonal periods had been going on before the war. During the war 60,000 laborers had been sent to France, and there is anticipated an extension of this demand for Italian labor in Belgium and devastated France.

Like Great Britain and France, Italy instituted a system of "unemployment donations." Said one authority to a member of your Commission:

At the present time, Italy, like other countries, is paying high unemployment donations. They are so high that it has had the effect of bribing men to be lazy as long as they received these sums.

Prior to the war, the placing of labor in Italy was left to private enterprise; that is, the individual industrial concerns looked after their interests, or unauthorized (by the Government) bureaus or labor exchanges performed this service. There were a few exceptions. In Lombardy and Romagna, for instance, labor organizations had their own exchanges. It is estimated that in Milan these organizations placed about 50 per cent of the workmen. In Romagna, the labor organizations "monopolized entirely the concession of labor to conductors of land estate industries." During the war Italian industry like the French passed under military control. A decree of November 17, 1918, provided that in those regions where private initiative does not develop agencies for exchange of labor, special commissions for the "channeling of labor" are to be created by municipal and provincial administrations. These are to be made up of an equal number of representatives of the industrial and of the working classes. There is to be in Rome, under the direction of the Ministry of Industry and Labor, a central office, a clearing house of information for the country.

Under this decree the Association of Anonymous Share Companies (*Società Italiana per Azioni*) and the General Confederation of Labor (*Confederazione Generale del Lavoro*), one the chief manufacturers' association, the other the most powerful labor organization in Italy, have together organized twenty-four "placing agencies" throughout the country.

## CHAPTER XII

### HOUSING

#### § 1. IN GREAT BRITAIN

The housing problem, one of the most urgent of the reconstruction measures facing Great Britain, is intimately related to the industrial situation. This relationship is of a twofold order.

In the first place, the want of sufficient and suitable housing accommodation was regarded as a large factor in industrial unrest. This was evidenced during the war, especially in such areas as were specially called upon for war work. Thus the report of the Commission of Inquiry into Industrial Unrest mentions the Newcastle, Barrow, London, and Southeast districts, and Wales and Scotland as areas where the disturbing influence of an acute housing problem was manifest. Houses there were scarce, and living conditions, accentuated by the patriotic necessity of taking lodgers, were a burden and an irritation. Nor did the cessation of the war do anything but increase this unrest. Demobilized soldiers returned to find no houses in which to live. In city and country alike, younger people, looking towards marriage, found it difficult to obtain homes and joined in the demands for better housing conditions.

In the second place, the housing problem is related to that of unemployment. All through the war both problems were obvious and were frequently discussed together. It was held that the pressing nature of the housing question should lead to priority in its treatment after the war. This would tend to lessen the degree of unemployment by setting the wheels of industry moving in the building trades. Carpenters, joiners, brickmakers, bricklayers, plasterers, glaziers, plumbers, and others, many of them members of trades seasonal in nature, often with an abnormal measure of unemployment, would be set to work, and their consuming power would assist in finding employment for others. The discussion, therefore, of housing has been associated particularly

with the questions of industrial unrest and of unemployment.

The housing problem dates from before the war. The British census report of 1911 shows a serious shortage of housing accommodation as measured by "overcrowding." In that report the number of persons in England and Wales living more than two to a room was over 3,100,000, or one-tenth of the population. In Scotland the condition was even worse. On the English standard of overcrowding, the percentage of persons in Scotland living in overcrowded conditions was nearly one-half the population. It should be added that this shortage of housing accommodation was not confined to the cities; it was even more evident in rural centers. An estimate prepared in 1912 showed a need in rural areas of at least 120,000 houses.

The difficulty experienced during the war was that of finding shelter in certain areas for the large numbers of incoming war workers, and of preventing the increased demand for houses from raising rents to a prohibitive figure. Certain older districts, such as Woolwich and Coventry, increased their population enormously, while areas hitherto unused for industry, such as Greta Green, became sites for large national factories.

The extent of the problem at the conclusion of the war has been carefully estimated. The Reconstruction Committee early in 1917 chose six of its members to act as an Advisory Housing Panel with an invitation "to complete a review of the housing question as it was likely to present itself at the close of the war, and to prepare a memorandum on the subject."<sup>1</sup> The figures accepted and published by this committee refer to houses not above a rental value of 8 shillings a week. Among houses of this value, there was an estimated deficiency of new buildings that by the end of 1917 would amount in England and Wales alone to 175,000 houses. This deficiency was due entirely to the cessation of building during the war. The normal annual increase required to meet the needs of the growing population and replace old structures was estimated at 75,000. If the war ended in 1917 a total of 250,000 houses of the class specified would need to be built in 1918. So by calculation 325,000 houses would be needed in 1919, and if nothing were done in that year towards an

<sup>1</sup> "Housing in England and Wales," London, 1919, ed. 9087.

alleviation of the scarcity, 400,000 would be needed in 1920. In addition it was held that at least 50,000 new cottages would be needed in rural areas.

In Scotland the number of new houses required was set at a minimum of 120,000 by a Royal Commission appointed to inquire into the Housing of the Industrial Population in Scotland.

The above calculations take no account of houses that were not fit for habitation. In 1914 these were estimated for England and Wales at not less than 400,000. In Scotland they could not be less than 100,000. In sum, the total number of houses called for in Great Britain, including new houses and those to replace existing insanitary structures, does not fall far short of a million.

The causes of this scarcity which has been cumulative during at least ten years must be examined, since they determine in part the financial aspect of the present problem. The first reason given<sup>1</sup> is that the Finance Act of 1910, taxing the unearned increment on land, had discouraged the speculative builder and other investors in real estate. Further, real estate had become less tempting as an investment with the increase in the earning power of securities. At the same time, even before the war, building materials had increased in price, thus discouraging the building of new houses. A further factor in the shortage which existed prior to the war had been the increased activity of the sanitary authorities under the Housing and Town Planning Act, 1909. This act required landlords to see that their houses were reasonably fit for human habitation, and gave local authorities the right to require the carrying out of any repairs deemed necessary or to close the house against tenants.

Certain measures had been taken to deal with the pre-existing scarcity. Outside of private enterprise, which had been responsible for the erection of 95 per cent of the houses built prior to the war, government action had been sanctioned in two successive legislative measures.

The first of these was the Housing of Working Classes Act, 1890, which allowed the Local Government Board to advance money to local authorities (municipalities and rural district councils) for the erection of houses. In

<sup>1</sup> Rowntree, B. Seebohm, and Pigou, A. C.: "Lectures on Housing," pp. 8-9. Manchester, 1914.

1909 the powers of the local authorities under this act were extended, while the Local Government Board was authorized to act where the local authorities were reluctant to move. This extended power was conferred by the Housing and Town Planning Act, 1909.

The latter act was coming more and more into favor prior to the war, and the war pressure for housing accommodation increased the demand for loans. The movement in amount of money loaned to local authorities for the financial years 1911-17 inclusive is shown in the following table:<sup>1</sup>

Year ending March 31st	Amount Loaned
1911 . . . . .	£101,210
1912 . . . . .	£229,011
1913 . . . . .	£395,432
1914 . . . . .	£759,440
1915 . . . . .	£1,125,176
1916 . . . . .	£502,904
1917 . . . . .	£58,531

Another act making provision for government aid was passed on August 10, 1914, a few days after war was declared. This act, however, was regarded as a measure for dealing with unemployment, and although an expenditure of £4,000,000 was authorized, the powers granted under the act had to be exercised within a year from its passing. The fact that the period of unemployment for which provision had been made was short and the various restrictions under the act combined to make it inoperative.

While much was being done by local authorities under the acts of 1890 and 1909, to remodel unsightly tenements and build new ones, mainly in city areas, there was a growth of co-operative housing schemes and a movement towards "garden cities." Mention has been made elsewhere in the report of the efforts of Sir William Lever (now Lord Leverhulme) at Port Sunlight and of the Cadburys at Bourneville.<sup>2</sup> At the same time, however, schemes more definitely co-operative were being launched at Letchworth, Hampstead, Ealing, and elsewhere. A description of that at Letchworth will illustrate the method and its significance. A company was formed, shares being of the value of £10, interest thereon being limited by law, as in the case of all public utility societies, to 5 per cent per annum. This company bought up at first 3,800 acres (later adding 700 acres) of agricultural

<sup>1</sup> Quoted in Labour Yearbook, 1919, p. 209.

<sup>2</sup> Cf. Ch. XIV, § 7, pp. 221-23.



land in Hertfordshire, thirty-four miles from London. A railway ran through the land which could be utilized for factories as well as for homes. The city was planned so as to allot 1,500 acres to the town proper, leaving 3,000 acres of agricultural land for small farms and small holdings. An area near the railways was reserved for factories.

Not only has the company developed the land and built the city, but it has also established gas, water, and electric light, provided sewers and organized domestic transportation. At the same time it has set out to develop the factory area. Such is the situation of the town that manufacturers who wish to establish factories must bring their operatives with them and house them in the city. The results have shown that there is no necessary connection between manufacturing and the dismal, drab conditions of many of England's largest cities. Manufacturers have come to Letchworth; about thirty industries have already been established. Their operatives are housed in the city, paying rents within their reach and enjoying the amenities of civilization. The city built to accommodate 35,000 people has now over 10,000 inhabitants. It represents one of many attempts by means of co-operative enterprise to find accommodation under healthier conditions for the overcrowded inhabitants of English and Scottish cities.

The first measures during the war were preventive in character. To prevent rents from being raised unduly under the urgent need of housing accommodation, there was passed in 1915 and amended in 1917 an act known as The Increase of Rent and Mortgage Interest (War Restrictions) Act, 1915. This was made to apply to houses below a certain "standard rent," that term being defined as the rent at which the premises were let on or before the day preceding the declaration of war. By its provisions the rent of a house or of a room could not be increased above the standard rent unless the landlord had made improvements, and in that case the rent could not be increased more than 6 per cent of the capital value of the improvements. No tenant could be ejected while the proper rent was paid and the conditions of the tenancy observed, except for certain specified causes.

The next step taken by the Government was the erection of model housing centers in certain places where

large numbers of munition workers had congregated. In some cases these were built near older centers, in other cases, as at Gretna, in parts that were formerly almost uninhabited. The best known of the former is that of Well Hall in Eltham, Kent, about a mile from Woolwich arsenal. This consists entirely of permanent dwellings for workmen, and from the architectural and social points of view is one of the most remarkable examples of housing in Great Britain. The whole cost of the construction of the scheme was borne by the Government. The rentals range from 7 shillings for a two-roomed house with scullery and bath, to 15 shillings and 6 pence for a four-roomed house with similar accommodation. Where shelter of a temporary or semi-temporary nature had to be provided for war workers, this was done by building the shell of a permanent house and using the undivided interior for a hostel. In certain other cases, however, as at Eastriggs, temporary accommodation was built more extensively. In general, however, the government policy was to avoid the building of temporary structures, because they tended to remain and degenerate into slums. Consequently, such efforts as those at Gretna and Well Hall remain as permanent contributions to the problem of providing more and better houses, whether in proximity to cities or in new and hitherto unutilized areas.

Discussion of the difficulties which in their sum form the housing problem has been searching in character and nation-wide in extent. This has shown that the obstacles to a rapid building program are mainly financial in nature. Stress is laid on the urgent national necessity. Houses are needed in large quantities. Every possible agency is to be put into operation and turned towards the building of houses. It is generally conceded that the problem is too large for unaided private enterprise. As a matter of practice, builders at the close of the war were giving their chief attention to the erection of factories and workshops. In 1917 the value of such buildings erected was more than nine times that of dwellings built in the same year, whereas in 1911 the value of dwellings erected was three times that of factories. The erection of houses was no longer a profitable investment. Capital was scarce, rates of interest and cost of materials and wages were high. Houses were at least twice as expensive to build as before the war, and the increased

cost was reflected in the rent. Where tenants formerly paid 8 shillings a week, the rent would now reach towards £1 a week. Such a rent was beyond the reach of the majority of English artisans, and anything lower was a certain loss to builders and investors. Further, values were likely to drop in the course of several years, and houses built at the "top" of the market would be certain to shrink in both capital and rental value. It was these reasons which have produced the general opinion in Great Britain that the housing problem is too vast and too risky for unaided private enterprise.

With private enterprise thus ruled out by the abnormal financial difficulties of the situation, public opinion in England has accepted the housing problem as one of its post-war burdens. The state had to bear the loss likely to be involved in the building of so many houses at the "top" of the market. It had to finance present schemes so that private builders can contract for them. It had to make arrangements whereby the period of transition to normal values can be safely crossed alike by rating authorities and individual tenants. This is the principle underlying the Housing and Town Planning Act introduced into the British House of Commons on April 7, 1919.

This act makes it the duty of a local authority, such as a municipality, within three months after the passing of the act, to submit a scheme for dealing with whatever rehousing is necessary within the area over which it has jurisdiction. Where such a scheme is submitted and accepted it must be carried out by the local authority. If no scheme is submitted the Local Government Board can require such a scheme to be prepared or, in default, prepare the scheme and have it carried out. These measures are intended to insure that no one of the 1,800 local authorities in England and Scotland can evade its obligations under the bill, which extend not merely to new houses but also to provision for dealing with unsatisfactory houses and slum areas.

The financial provisions of the bill are intended to meet those conditions previously described which made the task too onerous for private enterprise and too risky for speculative builders. When a scheme is approved, the Local Government Board undertakes to finance it for a provisional period, estimated at seven years, during which an annual subsidy will be paid by the Government

towards interest and upkeep, provided the local authority has expended at least the equivalent of a municipal rate of a penny in the pound. At the end of the provisional period, when values have reached a normal level, a revaluation would take place, and, if necessary, a subsidy would still be paid so that the annual charge upon local authorities would not exceed the penny rate. It was hoped that at the end of this period rent that would bring a return on the investment could be charged.

In other words, the financial provisions mean that the Government finds a large proportion of the money needed to commence housing undertakings, lends it for a period of from thirty to eighty years, and bears the loss involved in building at the "top" of the market. The local authorities are required to bear the burden only up to the limit of the proceeds of a penny rate.

Assistance was also to be given both to the formation and the financing of what are known as public utility societies. These societies had always been able to borrow two-thirds of their necessary capital from the Government at the lowest market rate of interest. By the new act they were to be enabled to borrow up to three-fourths of their needed capital, and would receive a subsidy equal to 40 per cent of the annual loan charges. The significance of this aspect of the problem lies in the fact that many firms and corporations are ready to assist towards the housing of the workers necessary to the development of their industry by taking stock in these societies. The movement towards recognition of public utility societies as factors in the solution of the housing problem arose from the Federation of British Industries, which pointed out how employers would thereby be enabled to contribute towards the provision of accommodation for their workpeople.

For the supply of materials much is expected from the Ministry of Supply. The chief difficulty concerned bricks, for the brickyards of the country had been almost entirely closed during the war and needed time to get into working order. The Ministry of Supply has undertaken, however, to supply to local authorities and public utility societies such articles as bricks, drainpipes, cement, and glass. It was asking manufacturers also for the wholesale production at the lowest possible rate, of internal fittings, and was suggesting the standardization of certain fixtures

such as doors, windows, and furniture, in order to cheapen production without diminishing artistic effect.

It should be added that a Women's Housing Subcommittee had been appointed early in the history of the Ministry of Reconstruction, and had given attention to such matters in the planning of houses as were essential from the point of view of health and the convenience of the housewife. The recommendations of this subcommittee covered a wide range of domestic and social conveniences. Some of these had received attention in the planning of Gretna and Well Hall, while all of them are likely to receive attention in the new plans. In so far as the stress laid on them indicates a distinction between the older and the newer style of housing, their acceptance reveals a wider idea of comfort and an increase in the standard of life among the working classes of Great Britain.

The housing problem in Great Britain should be recognized as one of considerable size and significance. Its solution is expected to assist in reducing unemployment in the building trades and in calming industrial unrest. The financial position, with interest rates high and labor and materials at a high price, is such that real estate investment represents a certain loss through decline in values. Private enterprise is thus precluded from the field, while public opinion, endorsed in this instance by such a manufacturers' organization as the Federation of British Industries, is opposed to the subsidizing of the private contractor. Steps have been taken accordingly for the Government to undertake the financial loss and initiate and compel an adequate effort towards the solution of the housing problem. This effort is receiving the endorsement of Parliament and of every section of the nation.

## § 2. IN FRANCE AND ITALY

In these countries the problem of housing is not industrial, but social; it is not the result of intense industrial development, but of war devastation. In consequence, its solution does not lie in a readjustment of industrial relationships, but in a successful means of obliterating the ravages of war. There is none the less a responsibility on Government in this matter. A discussion of it, how-



ever, lies outside the bounds of our investigation. We were informed that the French Government was assisting in the building of houses both large and small for the working people. It is true that where in France new munition factories were built in new localities, workmen were hurried to these places in such numbers that they could not be housed decently. Workmen were separated from their families, slept in insanitary rooms, in relays, and endured many hardships of this character.<sup>1</sup> Nevertheless, it must be insisted, this was a war condition, not an industrial condition.

<sup>1</sup> Cf. *La Bataille*, "Les Ouvriers dans la guerre."

## CHAPTER XIII

### THE CO-OPERATIVE MOVEMENT IN GREAT BRITAIN

#### § 1. ITS SIGNIFICANCE

The co-operative societies in Great Britain are significant for two reasons. In the first place they embrace a large number of the wage-earners in their membership and sell to them a quantity of goods so great as to make the co-operative societies the largest single distributors in the country. Secondly, the relations of this large movement to the trade union movement have recently undergone a change tending to place the financial resources of the former at the disposal of the latter and to secure for the co-operative movement greater support among the members of the working class. Because of its past record and achievements and because of its possible future influence, the co-operative movement is, next to trade unionism, the most significant factor in the economy of the workers of Great Britain.

#### § 2. TYPES OF CO-OPERATION

The co-operative movement consists of two types of societies, one devoted to production, the other to distribution. Although productive societies furnish a vital exemplification of the principle of co-operation, they are generally considered separately from the co-operative movement as an industrial factor. Much of this productive co-operation is in agriculture, and is strongly developed in Ireland.

The organizations are of two types: (1) retail societies whose function is that of distribution, (2) wholesale societies that purchase, sometimes produce, the articles that the retail societies need. The wholesale societies in reality are national federations of the retail societies, there being one for England and another for Scotland.

### § 3. HISTORY AND PROGRESS

In the history of the movement, as in its organization, the retail societies form the basis and unit. They date from the famous Rochdale Pioneers, who established in 1844 the society that was to prove the model of the modern type of co-operative distribution. The movement spread rapidly among the working classes, but did not attain any considerable financial importance. At the end of twenty years its total yearly trade was under £3,000,000. But from 1864 onwards the Wholesale Societies became organized, and the movement grew more vigorous. By 1884 the total yearly trade was £30,000,000. In 1914<sup>1</sup> this figure had become £147,550,000, to which the English Co-operative Wholesale Society contributed nearly £35,000,000, the Scottish Co-operative Wholesale Society over £9,000,000, the greater part of the remainder coming from the trade of the retail societies, which numbered 1,390. The membership of the movement in that year was over 3,200,000 persons, representing with their families a considerable proportion of the working population. It should be noted that the societies are strongest in the Midlands and northern England, in the large industrial centers.

### § 4. PRINCIPLES BEHIND CO-OPERATIVE MOVEMENT

The co-operative movement is based on certain principles which lead its supporters to argue that it will play a large part in the social economy of the future. It is marked by the fact that the necessary factor of capital is supplied by its own members. When a retail society is founded, the members must take up at least one share of £1 paid, if desired, by small instalments, or held back from the dividends. On all shares taken up a certain specified interest rate is paid. Further, the society makes a profit on its transactions and after paying interest and setting aside certain reserves, distributes this as a dividend among its members.

In reality, however, the position of the shareholder is greatly different from that of one in a joint stock company. His holdings are limited in quantity, and the degree of his control over the society bears no relation to his capital invested. His profits, too, unlike those in a

<sup>1</sup>For statistics see Labour Yearbook, 1916, p. 392.

joint stock company, are increased by the strength and growth in numbers of the co-operative society of which he is a member.

This is because the profits distributed are not profits, in the ordinary sense of the word. The co-operative societies do not seek to make gain. They sell to themselves; hence will buy or produce only that for which a demand is fairly clearly demonstrated. Their aim also is to sell at cost price which covers all the expenses of production and distribution. But calculation to a nicety of the actual cost of distribution of so many goods is impossible. It is also more politic to sell at prices which are somewhat near those in vogue in other retail stores. Hence, the co-operative societies, as a matter of practical expediency, sell goods at prices which permit non-co-operative businesses to make a profit. At the close of each year a balance is struck, and a "profit" declared and distributed as a dividend. In reality, this profit is only the excess charges over the cost of distribution, and its return to the consumer signifies the canceling of the profit.

The dividend paid is based on purchases made by the consumer. This fact has an important reaction upon both the society and the dividends themselves. If the dividend is really the excess charges over the cost of distribution then an increase of dividend will come from whatever will diminish the cost of distribution. An increase of membership giving increased turnover, and relatively decreased costs, is obviously one of the most effective economic means towards that result. The fact, therefore, that an increase in the rate of dividend is to be looked for rather from an increase in membership than from other factors has stimulated the growth in numbers that has characterized the history of the movement.

The dividend paid to the consumer has a threefold influence. In the first place it is a savings bank to the member, who, in many cases, is the housewife. The dividend is often spent again in the stores, or is allowed to accumulate up to the limit of capital stock permitted to each member, and then withdrawn for the purchase of a house or some such purpose. In this sense the co-operative movement makes thrift possible. Secondly, the basing of the dividend upon purchases is an inducement both to further purchases and, as explained above, to increased membership. The movement, therefore, is

under no need to advertise, and saves much on that score. Thirdly, the custom of leaving the dividends to accumulate gives financial stability, not merely to the retail societies but to the whole movement. This custom has threatened at times to prove a trouble to the directors, who have reduced the rates of interest but without any appreciable effect on the capital deposited with them. The presence in the movement of these reserves of capital forms the temptation to the co-operation with trade unions that has arisen recently. If these savings are loaned to the trade unions, the operation is, of course, not a sound business transaction.

The ultimate control of the movement is vested in the individual member of the retail society. Every member has but one vote, and must attend the annual meeting to exercise it. The immediate control is in the hands of a management committee, from eleven to fourteen in number, elected from the members at the general meeting. No salary is paid to the members of this committee, but a remuneration is voted them from time to time at the general meeting. They control the salaried and wage-earning staff, being directly responsible for their engagement and conduct. The Co-operative Wholesale Societies are federations of societies and both are governed by directors popularly elected from the representatives of the societies.

This form of democratic government and control is open to the tendency for members to interfere with unimportant details of management. In effect, this form of criticism at annual meetings is said to have proved wholesome rather than deleterious. In fact, also, the success of the movement has given the managing committees considerable prestige, while the directors of the wholesale societies hold what is practically a permanent position. It should be added that they are paid a salary of £400 a year.

The war is held to mark a new turning point in the history of the co-operative movement in Great Britain. Its effects on the movement have been various. It has strengthened confidence in co-operation as a method by which goods can be retailed at the lowest possible price. At the commencement of the war, when prices began to soar, the co-operative societies exerted their full strength to hold them down. They urgently advised their members to prefer low prices to high dividends, and to a large extent they were successful. Their action led to an



increase in their membership of a little over 20 per cent and strengthened the feeling against an illegitimate rise of prices. The following extract<sup>1</sup> illustrates a way in which governmental interference became a matter of complaint:

The Government became the sole importer of wheat. The Scottish C. W. S. (in conjunction with the English C. W. S.) had a great network of organizations for the collecting of wheat all over Canada: it had its grain elevators studded along the great arteries and on the shores of the Great Lakes; and it had its own depot at Winnipeg. . . . Eventually, the co-operators were forbidden the benefits of their own foresight and thrift. They were, first of all, balked by shippers on the other side; and then, when they complained, the Wheat Commission decided that the Scottish C. W. S. wheat must be sold to the government agent in Canada. The wheat collected had, therefore, to be sold. The agent obtained his commission on the transaction. The Wholesale had to purchase its wheat from the Government's agent on this side; he, too, had to receive his commission; and the Wholesale, instead of obtaining always the first qualities of grain, had to take what it could get.

Eventually, in view of the rising market and measures of government control, it was found impossible for the co-operative societies to hold general prices down. They began to sell, in accordance with their usual policy, at or near the prevailing market rate. Consequently, large surpluses began to appear on their balance sheets, and an agitation was commenced aiming to bring them under the income tax and excess profits duties. Hitherto, on the ground that they did not make profits, they had been excused from income tax. To the anger and amazement of the members, the excess profits tax was applied to their dividends.

Because of the increase in the basic cost of the materials distributed and in order to utilize the balances now subject to the excess profits tax, the movement launched forth into a whole series of productive enterprises. Ten thousand acres of wheat-growing land were bought in 1917, while estate after estate in England was purchased till the total land held there amounted to over 32,649 acres. Extensions took place in existing factories and many new ones were set up. A Northumbrian coal mine was acquired in 1917 at a cost of £50,000. The total

<sup>1</sup>"The People's Yearbook and Annual of the English and Scottish Wholesale Societies," 1919, p. 77.

expended by the English Co-operative Wholesale Society on land, factories, and buildings from the beginning of the war till the end of 1918 had reached over £1,500,000.

## § 5. ENTRANCE UPON POLITICS

But the most significant and epoch-making reaction of the co-operative societies to war conditions has come in their determination to enter the political arena. The events described above were the main causes of this decision. As the Labour Party felt themselves driven into political action by the Taff Vale decision, so the co-operators were spurred to use their powers and numbers politically by the application to their balances of the excess profits tax. A special congress in October, 1917, drew up a scheme for securing direct representation for co-operators in Parliament and on local administrative bodies. The platform of the party<sup>1</sup> calls for the organization of the processes of production, distribution, and exchange on co-operative lines in the interests of the whole community, for the elimination of profiteering by legislative or administrative action, for taxation of land values, the establishment of a national credit bank, adequate housing, and a more democratic system of education. Their manifesto<sup>2</sup> issued before the general election in December, 1918, at which ten co-operators stood as candidates, declared that co-operation had

protected the consumer from having to submit to the prices fixed by syndicates and other concerns out of proportion to the actual value and cost of daily necessities.

Further, it had

demonstrated that one of the best means of abolishing many of the social evils at present existing is by the elimination of the competitive industrial system, which enriches the few at the expense of the many, and [by] the substitution of mutual co-operation for the common good as the basis of all human society.

To many among the movement, co-operation is a social philosophy on which can be erected a new social order.<sup>3</sup>

<sup>1</sup> "People's Yearbook," 1919, pp. 377-79.

<sup>2</sup> *Ibid.*, p. 379.

<sup>3</sup> For treatment of the subject from this point of view, see Woolf, Leonard S.: "Co-operation and the Future of Industry." George Allen & Unwin. Ruskin House, 1918.

## § 6. RELATIONS TO THE LABOR MOVEMENT

The significance of this entrance upon political activity lies in the relations between the co-operative and the labor movements. By reason of the character of its membership, the co-operative movement in politics will be a branch of the labor organization.

The co-operator and trade unionist find that their political (in the broad sense) and social ideals are the same, and that in particular cases they are almost always pursuing the same political and social objects.<sup>1</sup>

The Labour Party had always been the solitary champion of co-operative interests in the House of Commons, while the two movements claim to be interested in common in the improvement of education and the betterment of social conditions.

The co-operative movement had begun before the war to show both the nature and extent of its sympathy with trade unionism. In the coal strike of 1912, the Northumberland unions at length reached the limit of their funds and wished to borrow money. The English Co-operative Wholesale Society's bank came to their relief and advanced £70,000. The retail societies in the district allowed members to withdraw all their accumulated capital, declared an interim dividend, and temporarily reduced prices to "bed-rock." This action on the part of the retail societies was in turn made possible by the guarantee of the banking department of the C. W. S. Further, in the Dublin strike of 1913, the C. W. S. accepted an order from the unions for the dispatch of shiploads of food to the strikers and their families.

In view, therefore, of the determination of the co-operators to adopt political action, and the perception by the trade unions that they could find financial support from the co-operative movement, a *rapprochement* was effected in October, 1917. A United Advisory Council of Trade Unionists and Co-operators was set up. In a general statement of the objects to be furthered and attained by this council, it was declared incumbent on trade unionists to become members of their local co-operative societies, and employees of co-operative societies to join their trade unions. The three most significant objects of this *entente cordiale* follow:<sup>2</sup>

<sup>1</sup> Woolf, Leonard S.: "Co-operation and the Future of Industry," p. 69. Cf. pp. 69-74.

<sup>2</sup> *Ibid.*, pp. 93-4.

The consideration of how far it is practically possible for the surplus capital of the respective movements to be utilized for the promotion and development of co-operative enterprise, and making of recommendations thereon.

The examination of the facilities for banking and insurance now offered by the co-operative movement, to see where these can be extended and improved or made more adaptable to working-class requirements, especially with regard to the provision of facilities through the various co-operative stores in the country, so that cheques presented by trade unions can be honored in such manner as will best meet the convenience of the trade unions and the co-operative societies.

The consideration of how far it is desirable and possible to insure the unrestricted distribution of food supplies, or the payment of benefit during important trade disputes by issuing through the various branches of the Co-operative Movement food coupons or loans from the Co-operative Wholesale Society's bank on the security of trade-union assets.

In essence this is an offensive and defensive alliance whereby the trade unions give their support to co-operative enterprise, and the co-operators become the bankers and distributors of food for trade unions during times of strike. Whatever one may think of the business transaction, it means that the trade unions have strengthened themselves at their two weakest points, finance and food. The English Co-operative Wholesale Society's bank has an annual turnover of nearly £200,000,000, while the capital and reserves of the whole movement in England and Scotland reach £65,000,000. While the funds of the unions are by no means inconsiderable, the addition of those of the co-operative movement will strengthen them greatly. While it by no means follows that a solid working alliance between co-operators and trade unionists has been evolved, there is an obvious tendency for the movement to link itself with Labour politics. There is, however, a great deal of conservatism among the members who are, in general, among the higher paid of the skilled workers, and it is generally felt that effective political action by the co-operative movement will require "an immense and persistent educational and political campaign." Such a campaign has not yet been instituted and the whole spirit of the movement is against its institution. It is probable that political representation will fall into the background, but that the

two movements will follow a parallel course on social questions, each complementing the other in a silent, practical fashion.

## § 7. RELATION OF BRITISH AND RUSSIAN CO-OPERATIVE SOCIETIES<sup>1</sup>

International co-operation between the Russian and British co-operative movements dates from 1916. In that year, the Moscow Narodny Bank, created in 1912 by Russian co-operative societies and controlled by them, and which on account of its banking transactions with Russian co-operative organizations was in a sense representative of them, opened a branch office in London. Before this, the Union of Siberian Creamery Associations, desirous of placing its butter and other dairy products on the British market and of purchasing British manufactured goods for its retail stores, had established an office in London. The Moscow Narodny Bank in 1917 did a business of 6,000,000,000 roubles, equivalent at normal rate of exchange to \$3,000,000,000. The Union of Siberian Creamery Associations in the same year sold goods valued at 160,367,000 roubles (about \$80,183,500); its membership consisted of 2,038 co-operative creameries, besides 1,859 distributive co-operative societies. Two powerful Russian co-operative organizations were thus existing in London, while other Russian co-operative societies were contemplating the establishment of branch offices.

Nothing might have come of this had not the war created a situation which both British and Russian co-operative societies had to meet. The British needed raw materials; Russia needed manufactured articles. Russia had butter, eggs, wheat, flax, timber, sugar, and hides in abundance, but required clothing, shoes, tools, domestic utensils, seeds, and chemical manures. These articles the mills and factories of the Co-operative Wholesale Society, Ltd., and the agricultural departments of the Scottish Co-operative Wholesale Society, Ltd., and the Irish Agricultural Wholesale Society, Ltd., could supply. Moreover, the war had created in Great Britain an interest in all things Russian and this interest was

<sup>1</sup> Cf. Rockel, Frederick A.: "An Experiment in International Co-operation." Pamphlet published by Russo-British Co-operative Information Bureau, 1919. Also, *Russian Co-operator*.



reciprocated in Russia. Both countries were united as allies; each was in need of materials which in large measure could be supplied by the other.

As a result, early in 1917, a joint committee of English, Scottish, and Irish Wholesale Societies was appointed to confer with representatives of the Moscow Narodny Bank and the Union of Siberian Creamery Associations with a view to agreement upon some plan that would make effective this mutual desire to promote trading between the co-operative societies themselves.

These deliberations led to a decision to set up a committee of representatives of such of the Russian societies as had branch offices in Great Britain and of representatives of the English, Scottish, and Irish societies. The name of the newly created body was the Russo-British Co-operative Information Bureau. As first constituted, this comprised representatives only of the Moscow Narodny Bank, the Union of Siberian Creamery Associations, the Co-operative Wholesale Society, Ltd., the Scottish Co-operative Society, Ltd., and the Irish Agricultural Wholesale Society, Ltd. With the arrival of representatives of other Russian co-operative organizations empowered to establish offices in London, the number of Russian societies included was increased. The Moscow Union of Consumers' Societies (which has since become the All-Russian Central Union of Consumers' Societies—known in short as "*Centrosyus*"), the Union of Siberian Co-operative Unions—known as "*Zakupshyt*" (meaning "purchase-sell"), and the Central Association (or All-Russian Co-operative Union) of Flax Growers, were added in the order named.

What the addition of these societies meant may be indicated by their constituent membership and amount of business turnover. The All-Russian Central Union of Consumers' Societies (*Centrosyus*) is composed of 20 co-operative societies of over 10,000 members each, and 307 unions of co-operative societies with a membership on January 1, 1918, of 10,241,047 persons; its business for the year 1918 aggregated 1,000,000,000 roubles (about \$500,000,000). The Union of Siberian Co-operative Unions (*Zakupshyt*) represents 29 co-operative unions to which are affiliated 9,520 consumers' societies, creamery and fishery associations, and other organizations in the Urals, Siberia, and the Far East; its service

extends to 2,696,529 members, who with their families number about 10,000,000 souls; its turnover between January 1 and November 1, 1918, amounted to 98,623,446 roubles (about \$49,311,723). The Central Association of Flax Growers comprises about 3,500 societies of flax growers with a membership of 3,500,000; in the agricultural year 1917-1918 it collected over 2,000,000 poods (about 36,000 tons) of flax, 1,000,000 poods of which were sold to the British market.

The addition of these members gave greater strength to the Russo-British Co-operative Information Bureau. Difficulties were, however, encountered from the first. Great quantities of butter from Siberia were exported in the early part of the war, but, in 1916, an embargo on this trade was laid by Russian authorities in order to meet the increasing demands of the army at home. Wheat, too, had been exported in large quantities; the bulk of this was raised in South Russia and sent to England from the ports on the Black Sea. The entry of Turkey into the war closed the Dardanelles and shut off the Black Sea ports from commerce with Europe. The Baltic Sea was equally inaccessible owing to the presence of a German fleet at the northern end of the Kiel Canal. Archangel was free from enemy interference, but the port is ice-bound a great part of the year. Vladivostok, although open to trade, was congested, and the breakdown of the Trans-Siberian Railway left the docks and storehouses filled with goods and made storage and transportation difficult.

The Russo-British Co-operative Information Bureau has, therefore, been giving its time to preparatory work. To acquaint the constituent societies of the resources and services available to the co-operatives of each country, many reports have been prepared and circulated. Numerous conferences have been held and interviews with government officials exchanged. In addition, considerable efforts have been made in behalf of the extension of the co-operative movement, for the elimination of the middle-man and against centralization of trading activity in private monopolies. A business deputation is to be sent to Russia as soon as conditions warrant. The *Russian Co-operator*, a journal devoted to the interests of the constituent societies, is being published.

## CHAPTER XIV

### NOTABLE EXAMPLES OF WELFARE WORK

#### § 1. THREE PROMINENT INSTANCES IN GREAT BRITAIN

Among British firms that have achieved success in dealing with their employees three stand out pre-eminently. These three are not merely successful and well established in their respective industries, but their schemes are comprehensive and well known. The three referred to are those of Rowntree & Company, Ltd., York; Cadbury Brothers, Bournville, and Lever Brothers, Port Sunlight. The two former are manufacturers of cocoa and chocolate products; the latter is the famous soap manufacturing firm, of which Lord Leverhulme is the managing director. The two former agree in having a large percentage of women and girls in their employ, and in being under the control of the Trade Boards in regard to wages. The latter firm in normal times employed only 25 per cent women, although at the time of investigation (April, 1919) the percentage was 50.

All three firms concurred in their conception of care for their employees as being "good business." This view was founded on the breadth of the betterment systems in vogue in each establishment. What welfare means to these employers is thus set forth by Lord Leverhulme in an address to the students of Sheffield University, September 24, 1918:

"I know that there is a preconceived false idea in many minds that welfare work in factories is largely a question of canteens, model villages, free libraries, and so on; but, in my opinion, welfare work in factories is much more a question of wages and hours, of ventilation in the factory, of cubical air space, and of heating and lighting and sanitation. Every fact, circumstance, and condition of employment affecting the workers engaged in a factory or office — mentally, physically, or materially — must come within its scope."<sup>1</sup>

Consequent upon this conception, one finds not only that canteens are provided, but that large, airy, and taste-

<sup>1</sup> Lord Leverhulme: "The Six-Hour Day and Other Industrial Questions," p. 183. Allen & Unwin, 1918.

fully designed dining rooms have been erected for employees. Health is not considered merely a condition to regular and efficient attendance, it is the personal concern of one or more of the administrative staff, who arrange for medical attendance, dental attendance, holidays, or a visit to a convalescent home. Hours of labor are not regarded as a mere economic factor, of concern chiefly to the employer; they are reduced on the employer's initiative to the lowest practicable scale, and allocated throughout the week according to the collective wish of the employees. Wages are not merely a factor in production cost, to be kept down to the lowest limit; they are the rewards of workers, who must receive the highest wage that it is possible to pay them, and must thereby be attached to the establishment in which they have worked. In short, industrial betterment as conceived in these three establishments, is the voluntary and organized effort of socially minded and highly successful business firms to render more agreeable every condition of employment. It is based on the principle that "no business can be run successfully which was not regardful of the interests of the men and women employed therein."<sup>1</sup> It has succeeded largely because there has been in it much of the spirit of co-operation without which no machinery and no organized effort can achieve success.

## § 2. SCOPE OF CARE FOR EMPLOYEES

The care given to employees covers the following subjects:

1. Health, including medical and dental care, safety devices, canteens, and provisions for meals.
2. Recreation, comprising physical instruction, provision of sports grounds and swimming pools, clubs, libraries, and so on.
3. Education, particularly of young people between fourteen and seventeen years of age. There are also plans for adult education and for that of deputy forewomen.
4. Working conditions, including the questions of hiring and firing, the cleanliness and neatness of the buildings, and the possibility of the employees' suggesting improvements.
5. Pensions and savings as provision for yearly or seasonal holidays and for old age.

<sup>1</sup> Lord Leverhulme, in an interview, London, April 28, 1919.

6. Wages and profit sharing, or the use of the wage relation so as to produce a spirit of satisfaction throughout the establishment which will find itself reflected in efficient service.
7. Hours of labor, including the length of the workday or of the work week, and the distribution of the week's work.
8. Housing schemes, as measures for making the home life of the worker more agreeable and thus promoting his efficiency.

While all of these are interesting, attention will be given in this report only to those more intimately related to working conditions and labor relations.

### § 3. EDUCATION AND EMPLOYMENT OF YOUNGER PERSONS

All three establishments covered by this investigation give attention to education. They required all persons under eighteen years of age, accepted for employment, to agree to attend educational classes until they attained the age of eighteen years. The restrictions imposed by the war upon educational finances, and the insertion in the Education Act (1918) of provision for similar continuation classes, have altered the situation so that their educational schemes are now almost a matter of history. They occupied a definite place, however, in the scheme of care for employees as measures to fit the worker for his task and offer him opportunities for advancement.

The curriculum at Rowntree's comprised gymnastics, mathematics, English, and woodwork for boys, and gymnastics, needlework, cookery, and housewifery for girls. The last subject forms the main item in the third year of the course, and is practically demonstrated in two cottages built for the purpose. At Cadbury's, the course for boys during the first two years included English, arithmetic, history, geography, science, and art. After that period the curriculum becomes more specialized, taking a commercial direction for boys engaged in the office, and technical for those on the industrial side. For girls the training is domestic, and includes physiology, industrial history, dressmaking, home nursing, cookery, and laundry work, terminating, as at Rowntree's, with a year's course at a typical cottage in the village. At Lever Brothers, the course for boys is somewhat similar



to that just described. A pre-vocational stage, covering the years fourteen to sixteen was devoted to a general education, giving a satisfactory groundwork of knowledge adequate for the development of some special interests — a knowledge of English, commercial geography, elementary mathematics, and arithmetic. From the age of sixteen the students specialized along some line that would “help them in the office or in the workshop, and give them enjoyment in their work.”

Their educational schemes have, except at Bournville, been established and maintained by the firm. The teaching staff is paid by the firm, and all buildings and equipment supplied. Lever Brothers reward students whose educational progress is marked, by granting them advances in weekly pay proportioned to their progress.

At Bournville, where the founders are greatly interested in the Adult School Movement, considerable impetus is given to continued education. It is noteworthy that the firm early in 1917 arranged that its young people, whose school attendance was limited to one half-day per week, should have the option of attending twice per week, if their parents desired it. This opportunity was seized by 35 per cent of the boys and 40 per cent of the girls, though no pay was given directly, only bursaries for good progress, covering one-third of the total number of students entered being offered. The second half-day is devoted in the case of the boys to science and metal work, and in the case of the girls to art. Many students ask for the continuation of their classes after they have passed the compulsory age, and this request has been met. There is also a works school, where a number of special classes are held, dealing with subjects of pertinent interest to the firm, such as box making, biscuit making, confectionery, and office routine. Recently there has been instituted a class for the training of deputy forewomen.

#### § 4. WORKING CONDITIONS

The questions of “hiring and firing” are held by these firms to be measures of the extent to which men and women are fitted into their workshop conditions and made comfortable and contented. No one of the three establishments gives quite such prominence to this matter as does the firm of Rowntree. Neither of the

other two firms utilizes an employment manager. At Bournville the local labor exchange sends along applicants from whom foremen select those whom they prefer. At Rowntree's there is an employment manager for each of the sexes. These persons select applicants for employment, follow them up during the early weeks of their engagement, report on their fitness for their present position, deal with all necessary readjustments, report to the directors on the qualifications of prospective foremen, and handle the whole question of dismissal of employees. Their action in keeping in touch with new employees is held by them to result in better work and a more contented attitude on the part of the employees. By having charge of readjustments, the employment managers are able to stop the favoritism which foremen often show, to the detriment alike of the firm and the workers, and to put men in places where they can work best, thereby reducing the labor turnover.

In the matter of dismissals, the firm acts on the principle that no man should be discharged from the regular staff except on account of bad work or proved unfitness, or for some grave offense. In every case full investigation is made by a departmental head, and the matter is reported to the employment manager. The latter then seeks to find out whether the employee in question might not prove more satisfactory if put on another class of work. This method is followed where the employee has given notice. Dismissal cannot take place ultimately except with the sanction of one of the directors. Concrete illustration of the firm's method was given at the period of investigation. A large number of temporary men had been employed during the war, and their places were wanted for men who had returned from active service. The temporary men were given a month's notice to find a new place, and a week's wage in place of the annual summer holiday at the end of July. Should any of these men not get work outside the establishment, he was offered casual work cleaning the premises. The firm apparently did not wish even a temporary worker to suffer unemployment.

The employment department is also required to arrange for the transfer of men from departments which are short of work to those which are busy. This method, together with the regulation of work so as to avoid heavy overtime at one period of the year and slackness at

another, makes it quite an unusual occurrence in Rowntree's establishment to dispense with employees owing to lack of work. In case of illness, an employee's place is kept open for him so long as there is a reasonable chance of his recovery.

The interest of the workers in their conditions is stimulated in a variety of ways. All three firms give facilities and offer prizes for suggestions from the employees concerning reduction of waste, increase of output, betterment of transporting material, improvement in factory organization, or greater safety. While much is done for them under welfare schemes, into which an element of paternalism enters, the workers retain a great deal of interest and pride in their establishment and do much to keep up its name and reputation.

#### § 5. WAGES AND PROFIT-SHARING

"The establishment of a satisfactory level of wages is the first step in industrial betterment." Acting on this view, Messrs. Rowntree & Company lay stress on securing as high a wage as they consistently can for their employees. A similar principle obtains in the works of Cadbury Brothers, where the firm pays the highest wages possible, in accordance with Trade Board awards or agreements with trade unions. The minimum fixed by the firm, which is never allowed to become a general maximum, is often above that fixed by the particular trade union. Rowntree & Company establish a theoretical minimum which also is considerably above that fixed under the Trade Boards Act and also above the local standard rates. Measures are then taken to see that no worker falls below that minimum. The wages of each employee are calculated every week on a basis of full time, and summarized each quarter. They are then compared with the firm's theoretical minimum. Where the wages of any more than a small proportion of employees in any department fall below this minimum, inquiry is made into the working of the department, and steps taken to correct the reason. The earnings of pieceworkers are examined every week by the same standard, and, where they fall below the minimum, an endeavor is made to put the matter right by paying a little special attention to the worker, or by transferring him or her to some other class of work. The firm, in one of their

printed pamphlets, expresses the following judgment upon their action:

“There is no doubt that this systematic and detailed inspection of wages has resulted in a considerable increase in the average wage, and in greater satisfaction amongst the workers.”<sup>1</sup>

Lord Leverhulme, in his various establishments at Port Sunlight and elsewhere, pays the trade union rate of wages or the current rate of wages in trades where there is no union. But, as an employer, he is conspicuous for his success in evolving a co-partnership plan which, after many changes, has taken a form that overcomes many of the objections to profit-sharing in general. This scheme of co-partnership is based upon full wages to management and labor, and a reasonable rate of interest to capital. Certificates are given by the firm to employees in proportion to wages or salary, the general percentage to wages being 10 per cent. The allotment, however, is proportioned further to fidelity and thoroughness of service, so that the slacker receives nothing, the apathetic from 5 to 10 per cent, and the enthusiastic more than 10 per cent. Persons who share as copartners must be at least twenty-two years of age, and must have served the firm at least four years. Employees on the general staff give a pledge not to waste time, labor, materials, or money in the discharge of duty, but loyally and faithfully to further the interests of the company.

The partnership certificates have no commercial value. They do not represent capital, and cannot be disposed of. They are a gift from the firm, comprising a claim to a proportion of the profits of the company. The dividends on these partnership certificates are lower by a margin of 5 per cent than the percentage paid on the ordinary shares. They are paid in a distinct class of preferred ordinary shares, the accumulation of which gives the employee a real and reasonably considerable interest in the firm.

## § 6. HOURS OF LABOR

The aim of all the welfare schemes now under description is to reduce the hours of labor to the lowest point consistent with economy and efficiency of production.

<sup>1</sup> Rowntree & Co., “Industrial Betterment at the Cocoa Works, York,” p. 14.

The three respective employers have always stood out among those who work a short day. Thus, Rowntree's reduced from a 53-hour week to a 48-hour week as far back as 1896, while Cadbury's, surrounded by firms where a 54-hour week was general, were working in 1912 a 48-hour week for men and a 42-hour week for women. In both firms, which have a seasonal trade, overtime is carefully watched by the directorate, in order to reduce it to the lowest limit.

At present both firms have recently reduced their hours, by common agreement within the trade, to a 44-hour week. In both cases the week-end rest has been extended. At Rowntree's the employees were requested to vote for the division of the work week they preferred. Out of three alternatives the five-day week, by which Saturday morning labor was dispensed with, was endorsed by a large majority. At Cadbury's an average week of 44 hours is worked monthly. But by lengthening the first three weeks of the month by a little over an hour, it is possible, every fourth week, for all employees to be free from four o'clock on Friday afternoon till starting time on the following Monday morning. The night shift at this establishment is shorter than the day shift, and lasts only till about 2 A.M. As it is worked only five nights in the week, and receives the same pay for shorter hours, it is preferred by many men, who stay on it for years.

At Lever Brothers' it is proposed to adopt two shifts of six hours instead of the single shift of eight hours which at present prevails. This proposal is so important, both in relation to industry and to welfare in its more restricted sense, that the address of Lord Leverhulme to the annual meeting of shareholders of the company, held March 27, 1919, deserves quotation:

"We had intended to do this twelve months ago. . . . We have now worked out our scheme, and I may tell you that all the trade unions consulted are most anxious to make the scheme workable and satisfactory, and that the Government, as far as the state of the law will permit, are equally anxious. It is anticipated that the consent of the Home Office will be given to the draft proposals which have now been submitted to them. The general features of the scheme are: first, with regard to dayworkers and pieceworkers, that we shall work in two shifts — six hours each shift. The morning shift will commence at 7 o'clock, and, after a break of a quarter of an



hour from 8.45 for some light refreshment, they will continue until 1.15 p.m. At 1.15 the morning shift work for the day will be over. They will not return to their work until 7 o'clock the next morning. This makes a total of six working hours per day, with fifteen minutes break for a meal, for six days in the week — Monday to Saturday included.

“When we come to consider the afternoon shift, there is a strong feeling and desire to retain the Saturday afternoon half-holiday, notwithstanding that every alternate week there will be a whole week of half-holidays: and to meet this wish the afternoon shift will work only five afternoons, the average being 7 hours 12 minutes each afternoon, instead of six afternoons of six hours. Therefore the afternoon shift will commence at a quarter past one (there will be a break of half an hour for refreshment from 4.45 to 5.15 p.m.) and will stop at 9 p.m., but on Friday work will stop a quarter of an hour earlier, at 8.45, so that the weekly average is 36 hours.”

For workers in continuous processes another readjustment was necessary. The three shifts of eight hours were to become four shifts. In order, however, that the home life should be as little disturbed as possible by the night shift, that shift was to work 8 hours, from 10 p.m. until 6 a.m. But as the shifts were changed weekly, and the remaining 16 hours of each day were divided into three shifts, each worker on these processes would have short days for three successive weeks to counterbalance this longer night shift.

Two other points in connection with the scheme should be noted. The light meals given to the morning and afternoon shifts are to be provided at the firm's expense. This is done in order to simplify the catering, and save time and trouble. The refreshments will consist of tea, coffee, cocoa, bread and butter, and sandwiches.

Further, “the rate of wages will be exactly the same for a 36-hour week as for a 48-hour week.” This statement, while not explicit in itself, seems, when taken in connection with the context, to imply that the rates per hour or per piece would be so adjusted as to give the same earnings for the shorter week. Throughout his argument Lord Leverhulme seems always to have guaranteed the same total wage earnings, but to have taken the risk of not securing the same production in 6 hours as in 8 hours.

## § 7. HOUSING

Each of the welfare schemes investigated has a housing scheme attached. The two best known are those of Cadbury's, at Bournville, and Lever Brothers, at Port Sunlight. The little village of New Earswick, near York, about one mile and a quarter from Rowntree's establishment, is much less known. This is due to the fact that the policy of this firm differs from that of Cadbury and Lever Brothers. The latter describe their works as "a factory set in a garden." The villages of Bournville and Port Sunlight are far more pretentious and are towns rather than villages. They are adjacent to the factories and are splendid advertisements of the firm. The York village, however, is removed from Rowntree's works and is obviously designed as a model for the many small villages in which England abounds. It was founded by Mr. Joseph Rowntree, the senior member of the firm, just as Bournville was founded by Mr. George Cadbury, senior, the senior member of the firm of Cadbury Brothers. Both are now under the care of village councils which are further under the supervision of the Charity Commissioners.

The village of New Earswick is an attempt to solve the housing problem of building cottages that would let at a rent within the means of the working classes. Wages at York and in the vicinity have always been low, so that cottages that would meet this need must necessarily be unpretentious. Those in New Earswick are solid and comfortable, and were let at a rate varying from 4 shillings to 8 shillings (\$1.00 to \$2.00) per week with municipal rates in addition. They consist generally of a living room, kitchen, and scullery on the ground floor, and two or three bedrooms above. They have a fair sized tract of ground attached to them for a garden.

Bournville has nearly 1,000 houses and a population of over 4,000. It dates back to 1879, though the greater part of the building dates from 1895 onwards. It was an attempt to make the home surroundings of the worker more comfortable and conducive to efficiency.

The founder is desirous of alleviating the evils which arise from the insanitary and insufficient accommodation supplied to large numbers of the working classes, and of securing to workers in factories some of the advantages of outdoor village life, with opportunities for the natural and healthful occupation of cultivating the soil.

The rents were to be fixed at a rate accessible to persons of the laboring and working classes, without being so low as to become bounty or an act of charity. Prior to the war, houses here also were let on the estate at from 4 shillings to 8 shillings per week, municipal rates extra.

The trusts administering these two estates treat them as business propositions. The income received from rents and every other source is received and administered by the trustees, who seek to show that the housing scheme is not an act of philanthropy but a financially practicable scheme. The trustees of the village of New Earswick are required by the trust deed to secure a net return of at least  $3\frac{1}{2}$  per cent on the capital outlay, while the Bournville trustees obtain a net return of nearly 4 per cent on the cost of the site and buildings after all outgoings have been provided for.

Neither of these villages is reserved entirely for the employees of the firms of the founders, nor was it intended primarily for them. Only from 30 to 40 per cent of the inhabitants of each village are employed in the respective establishments.

Port Sunlight is different in many regards from the two villages just described. It is a little larger than Bournville, containing in 1917 over 1,100 houses and a population of 4,600. The village is a part of the industrial organization of Lever Brothers' works, and cannot be considered apart from them. It is reserved entirely for employees of the firm. It is connected with the system of "prosperity-sharing." So far back as 1900 the founder of the village declared:

One of the best methods for the application of the principle of Prosperity-Sharing is to be found in building cottages to be let to labor at low rentals.

The houses at Port Sunlight have, therefore, been built out of the profits of the business. They have not been built to pay. They are not let to tenants at a commercial rent, but at one just sufficient to cover upkeep and repair. No charge is made against the maintenance account for the interest on the capital outlay. The maintenance account in 1916, which just about balanced with the proceeds from rents, was nearly £13,000, while the interest on capital outlay was £31,507. The rents charged for the cottages before the war varied from 3 shillings 9 pence to 8 shillings 6 pence (90 cents to \$2.00) per

week, including rates and taxes. It is obvious that the addition to the rent rate of the interest on capital outlay would raise the rate to a figure far above the average paid by an English artisan. In addition to bearing the burden of the capital outlay, the firm looks after the upkeep of the front gardens of the tenants, and of the roads, parks, and walks.

#### § 8. A FRENCH EXAMPLE

A French example of welfare work, of mushroom war growth, is the factory of M. André Citroën at Quai de Javel, Paris. In 1914 the space occupied by the Citroën factory was in large part covered with the factories of the Aciéries de France; in part it was vacant space encumbered by broken masonry. The entire area is twelve hectares and the buildings cover eight of these.

During the war the factory made projectiles, but since the armistice it has been transformed into an automobile manufacturing plant. For this peace-time purpose the shops are being rearranged and expanded to prepare for the manufacture of one hundred automobiles per day. A standard touring car at a moderate price is to be made. The manufacturing process is patterned after what M. Citroën could learn from the technical press news of American methods. The routing of material has been carefully thought out and the buildings are admirably arranged in this particular. It is the intention of making from raw material as completely as possible; he is therefore making his own gears, steel castings, iron castings, bronze castings, tubes, forgings, etc.

As a war factory the Citroën plant has been most successful. M. Citroën attributes a large part of his success to the welfare work carried on in his plant. Just as the British manufacturers said they were doing welfare work as business, not as philanthropy, so here the work is said to be done as a pure matter of business and not as a philanthropy. The cost for welfare work during the war, when the plant was operating at maximum capacity, was not more than 3 per cent of the annual payroll and in normal times should not exceed 4 per cent.

The company provides, free of charge to employees, all medical services. There are nurses for first aid service, a surgical room with attendant surgeons, a "cabinet

dentaire," the greatest innovation realized at the Citröen plant, for all sorts of dental work, an infirmary, and a special room (*dans la salle speciale de la Poupommiere*) for mothers to leave their babies in and to which they come at stated periods for nursing them, and in connection with it a kindergarten for older children.

The Citröen plant has also a restaurant where meals are served at modest prices, a dressing room for the workers, a moving picture show, an employees' club with a library, six billiard tables, card tables, and lounge room, a writing room for all employees, lavatories, baths, and a co-operative sales room for foodstuffs, work garments, and so forth.

"They work with an air of content, and that expression has impressed us in the course of this visit, for the faces of all appear to reflect it.

"That explains itself; the personnel of the Citröen plant lives in healthy shops; it carries on its work with an equipment and according to methods protected as much as possible; it knows that a true intelligence directs the whole.

"This personnel understands also that one has not desired to see in it only a machine for labor, but that one has had care for its health, for its well-being, for its intellectual life, that one treats it with dignity, in seeking to furnish it the opportunity to elevate its moral character; it feels, not alone an intelligence but a heart directs them."<sup>1</sup>

There had been only two general strikes in the Citröen shops during the war. One was a part of a general strike throughout the country for more wages; the other was a general strike for peace. About two weeks after our interview with M. Citröen there was a local strike there for higher wages and other changes in working conditions. We were not advised of the outcome of the strike, but we were given to understand that M. Citröen had decided to inaugurate a shop committee plan of handling labor disputes.

An expression of attitude by a labor official was obtained by your Commission. Said this official:

I am opposed to the welfare methods of M. Citröen. I think employers should give the workmen a good plant and

<sup>1</sup> "Une Visite aux Usine André Citröen." Booklet published by M. Citröen.



should help them to get high production, but should cut out "fancy" welfare work.

It is likely, however, that these things really appeal to French workpeople. The veteran labor leader, M. Rivelli, of the seamen's union and of the C. G. T., said to the delegates of the International Seafarers' Conference in London, February 25, 1919:

The French Seamen prefer their own laws to the American Seaman's Act, because the French workman is not primarily interested in wages, but in the conditions under which he works. He wants to be comfortable, to have as much freedom as possible, so that tasks do not become too irksome.

There can be no doubt that the Citroën plant has made a name for itself throughout France, and is a notable instance of the adoption of the latest ideas in welfare work.

## § 9. CRITICISM

The schemes above described represent the efforts of three of the most progressive employers of England and one of France to improve the human relations which lie behind industrial relations of employers and employed. All these employers are averse to their efforts being considered a sort of "philanthropic addendum" to business. Rowntree & Company consider that such work,

"if conceived and carried out on right lines and in the right spirit, undoubtedly pays from a purely business standpoint. It means the humanizing of business relationships, and consequently the bettering of conditions of labor, and the greater contentment of the workers. Men who are well paid, who work under good auspices, and feel that their employers desire to treat them with justice and consideration, are not only more cheerful, but more vigorous, than those who are merely regarded as machines."<sup>1</sup>

Lord Leverhulme is most emphatic in this view that there is no philanthropy in business. Speaking of the need of co-operation between management and labor, he said:

"The only way these two can create a fund to increase profits — out of which wages and profits are paid, out of which it is possible to pay the highest rate of dividends and wages — is to increase the quality of the product and increase the

<sup>1</sup> Rowntree & Co.: "Industrial Betterment at the Cocoa Works, York," p. 8.

quantity of the product: that can be done only by becoming more efficient. It cannot be done by working a greater or less number of hours; it can be done only by making men in every way more efficient.”<sup>1</sup>

Referring to his system of copartnership, he asserted:

“The cultivation of a spirit of copartnership and of a keen interest in the firm in which the employee-workers are engaged, is not philanthropy but sound policy.”<sup>2</sup>

In a speech at Port Sunlight, in 1914, he explained his aim as:

The desire to try and make an industrial community that would be producing more goods and better goods, earning higher wages in fewer hours, and be better conducted, better developed, better trained, and better fed than any other community in the same business.<sup>3</sup>

In short, it must be acknowledged that these schemes are the efforts of highly successful employers to establish their businesses upon a basis of fair dealing and of a wide and comprehensive interest in the human welfare of those who are in their employ. No one can deny the large measure of success these schemes have met with. Their success can be explained in various ways:

1. The schemes have been a splendid advertisement for the firms. Prof. Sir William J. Ashley, commenting on this obvious fact, regards it as one that “shows there is such a thing as a consumers’ conscience,” and as significant because it reveals a correlation between what is known as “good business” and the manufacture of goods under satisfactory working conditions.

2. The schemes tend to reduce working “costs.” “Waste not, want not” is the copartnership motto in Lever Brothers’ establishment, and “anti-waste” bulletins are as conspicuous in their factories as are the “safety first” bulletins previously mentioned. But just as important as the prevention of waste, both in respect of time and materials, is the better adaptation of the full mental and physical powers of the employee to his work which results from stress on the human element.

<sup>1</sup> Lord Leverhulme: “The Six-Hour Day and other Industrial Questions,” 1918, p. 67. For M. Citröen, see above, p. 223.

<sup>2</sup> *Ibid.*, p. 304.

<sup>3</sup> *Progress*, journal of Lever Brothers, July, 1914, p. 39.

The founders of these schemes are all men of large vision and of keen business sense. They are the personalities behind the schemes, which, in the hands of smaller men would probably not achieve such success. Their efforts, which never stagnate nor reach a climax of satisfaction, are dominated by an impelling motive of social service.

In criticism, however, it should be said that a large element of paternalism enters into their plans. In the case of Rowntree and Cadbury, this is largely unconscious. Mr. B. Seebohm Rowntree, in an interview, said he had come to regard welfare work as too paternalistic to agree with modern democratic notions. At Cadbury's there is an ever-present sentiment in favor of the participation of the employees in the control of the various recreational, educational, and social activities comprised in the scheme. Though the firm has so many betterment plans, it has no welfare supervisor nor any employment manager. The firm supplies the institutions and machinery, but does not seek to control their entire working.

On the other hand, the control of Port Sunlight is undoubtedly paternalistic. Lord Leverhulme, whose personality has a great attraction, on whatever side he may be approached, is the dominating element in the industrial and civic organization of the village. Yet there are elements of opposition and reaction to this paternalism. The administrative staff of the works used to live in Port Sunlight alongside of the employees. The latter came to feel, however, that oversight was thereby being extended from the works to the village, and that men were discriminated against in the works for events in the village life. The trouble grew so acute that Lever Brothers withdrew the managers from the village, and they no longer live there.

The Citr en plant is yet too new in experience for any deduction. So far it is a pronounced success.

Yet, notwithstanding these criticisms, one must admit the intimate connection which exists between the success and efficiency of these companies and the fair dealing and co-operation which exists between them and their employees.

## CHAPTER XV

### INTRODUCTION TO POLITICAL LABOR MOVEMENT

#### § 1. FUNCTION OF THE STATE

In considering the outside influences which may at times enter to affect the adjustments between individual employers and their workers the most important are those arising from the action of the Government. There is general agreement that the state should at least afford protection to the life and property of all citizens, rich or poor. This fundamental right is more necessary to the poor than to the rich, because the former may not be able to replace a loss out of other wealth. He suffers most who loses all. Thus, if only one horse is taken, the enforcement of rights to property are more important to the owner of one horse than to the owner of a hundred horses.

The functions of modern government, however, extend beyond the mere protection of life and property. In other words, the right of property and the industrial relations of men have, with the growth of new conditions, become more or less complicated. The face of the business world has been changing; with new methods of trade, the abolition of distance, the rise of the corporation, the change in ways of transportation, the coming of the era of new power, the rights of individuals in all these new relations have become complex and in need of definition. In the regulation of monopolies and commercial operations new and difficult problems are legion. In this extension of the field of business activity there arise new questions as to the true policy of the state. On the one hand it is assumed that the state should confine itself to a pure *laissez-faire* policy; on the other, that it should interfere whenever possible. On such matters an insight arising from experience is now inclining men to think there is no hard and fast obligation, no burden of proof either in favor of or against an intervention of the state. Each particular case should be decided on its merits.

In such a procedure, however, there is a general principle governing the purpose of the state. The essential aim of democratic society should be to allow the largest possible liberty to the individual consistent with the rights of others; that is, each individual can have the largest liberty only under law. It should be the purpose of government to develop the greatest possible individual initiative and enterprise in industry limited only by the accepted rights of other members of society. The complexity of the modern laws of property are due mainly to the necessity of defining and justly protecting the rights of each citizen. On this basis the state cannot interfere in industry to further the claims of one class against another class. It must act impartially and only in the interests of society as a whole, as demanded by the majority of its voters. To impose the opinion of a small group upon the state as a whole is tyranny.

In actual practice, as seen by your Commission in Europe, there has been no little intervention by the state with the operations of industry. It is a question whether such action has had for its end the largest individual liberty of the citizen consistent with the full recognition of the rights of others. Nor is the reason for this shortcoming in the particular field of the relations of employers to their workers hard to discover. The state can act only through the men chosen as its officials. In a democracy these men obtain place chiefly by political methods. In the very nature of things, the agents of the state, when they approach an industrial dispute, are outsiders; and the problem is inevitably treated with an eye to its effect on the political fortunes of the government in power. That is, it is almost impossible not to transfer the solution of an industrial difficulty from the realm of economics into the realm of politics. Under such motives the development of the largest individual enterprise, out of which society as a whole would gain most, will not be obtained.

Since government officials take no industrial risks and cannot have the quality of action due to the possibility of loss or gain, it stands to reason that a policy adopted by the individual manager to secure industrial efficiency weighs very little with them. If such a policy, however, should violate the rights of others, as in the employment of children, or by insanitary or dangerous conditions, regulation by the state is wholly justified. But when



the state enters to regulate the wages of labor, to change the operation of economic laws affecting the cost of materials and the prices of goods, it cannot be fair and just to all parties concerned unless it is omniscient and omnipresent. That democratic government can be all that, no one pretends. Moreover, in the countries visited, it should be remembered that the attitude of the state was everywhere affected by the long-continued preaching of socialism, in whose tenets a resort to the state for industrial control is an essential doctrine. It is to be noted, therefore, that an exaggerated dependence on the state was to be found in all measures relating to labor, even in the circles determining the terms of peace at Paris. The effect of socialistic doctrine in coloring the situation in Great Britain, France, and Italy must be always kept in mind.

## § 2. POLITICAL VS. INDUSTRIAL ACTION

Organized labor has had two general methods of action to secure its desired ends. One of these is called industrial action and the other political action. Industrial action has been discussed in detail in previous chapters. It was there shown that this is an appeal to force, that its manifestations are strikes, sabotage, "ca'canny" methods; that is, "direct" industrial action. Political action, on the other hand, means, first, to secure through the election or control of political representatives a predominating influence in the existing Government in order to obtain favorable legislation; second, the active part that the Government has played and is playing in an attempt to settle the difficult labor problems, and, third, in general the application of the principle that the relation between employers and employed is a matter for legislative action.

Where the powers of Government are brought into play, there is a third party to every controversy. Its interests are supposed to be broad enough to cover those outside of any immediate industrial disagreement. Presumably, it is not a disinterested third party, therefore, but a more broadly and profoundly interested party than either of the others. It has been found that the Government in Great Britain and on the continent has been not only an interested but also an active third party in the general relationship between employers and employed.

It is with political action that this discussion has chiefly to do. There should be no preconception that political

action is in itself wrong. It has a legitimate field of endeavor; its misuse and its abuse alone are to be condemned. It is only a method, and it is the motive behind it that is really important. A general survey will be made here to show what political forces are being used by labor organizations to secure their ends and what motive lies behind them, what active part Government has taken in labor controversies, and what the resulting situation is internationally. Organized labor in Great Britain has turned toward political action during war, so that particular emphasis will be laid upon activities there. In less detail the situation in France and Italy will be sketched.

In taking up the discussion of political influences as they have had to do with labor problems, it is necessary to keep clearly in mind the distinction between the methods of socialism and the methods of unionism. Without attempting to record all the shades of difference, it may be said that the broad distinction between the two is that trade unionism looks primarily to industrial methods and that socialism looks primarily to political methods. By this definition it will be seen that socialist parties are essentially political in their activities, while trade unions are primarily interested in industrial action and will use political action only incidentally. It has been said by a well-known writer<sup>1</sup> on this subject that: "The average workingman has a much more important, necessary, and continuous function to fill as a member of the Labor Unions than as a member of the Socialist Party." It is necessary at once, however, to add an important qualification, namely, that this distinction is not true of Great Britain. The dominant political party which there represents the labor interests is the British Labour Party and it is not in inception or primary purpose a socialist party. A clear idea of the European situation can be gained, however, only by keeping in mind that the trade union movement is primarily an industrial movement and that the socialist movement is primarily political.

### § 3. LABOR IN PARLIAMENT

Labor interests are represented more extensively in foreign legislative bodies than is true of the United States. In the French Chamber of Deputies out of a total member-

<sup>1</sup> Walling: "Socialism As It Is," p. 380. Macmillan, 1913.

ship of 602, there were 102 Unified Socialists and 30 Independent Socialists, making a total of 132 representatives of the workers' interests. This was for the year 1916. In Italy the Chamber of Deputies consists of 508 members, of whom 77 are Socialists and 3 Syndicalists. In Great Britain, out of 670 members of the House of Commons, the Independent Labour Party had 36 representatives in October, 1918. In the present coalition government, the Labour Party has 59 members of Parliament out of 700, and polled at the December, 1918, election 25 per cent of the total vote. These figures show that labor organizations in Great Britain and on the continent have been active in politics and are sufficiently strong to have a good representation in legislative bodies.

#### § 4. LABOR IN THE CABINET

Not only has labor now a strong representation in the Parliaments of European governments but it also has a Cabinet member appointed in its interest in the Cabinets of England, France, and Italy. There is in each of these governments a special department called the Ministry of Labor that is given over exclusively to the interests of labor. During these periods of industrial unrest these Ministries of Labor have been active in response to the very difficult problems which have faced them.

Under the unusual conditions brought about by the European war Special Committees have been appointed to meet the emergency problems that have arisen. An illustration of these Special Committees is to be found in the Reconstruction Committee appointed by the British Government. It had a sub-committee whose particular duty it was to inquire into relationships between employers and employed. The activities of this sub-committee are of considerable importance and will be discussed in detail. But prior to the war the British Government had often stood as arbitrator between the employers and the workmen. "For many years the [British] Government represented by Mr. Lloyd-George or Mr. Winston Churchill had acted as arbitrator in every great industrial conflict and had secured many minor concessions for the Unions."<sup>1</sup> The Liberal Party, under the leadership of Mr. Asquith, has also been sympathetic to labor.

<sup>1</sup> Walling: "Socialism As It Is," p. 361.

## § 5. INTERNATIONAL POLITICAL LABOR MOVEMENT

A movement had gained considerable headway prior to the war to unite workingmen of all countries into a single organization. To understand the existing situation it will be necessary to give a brief survey of the development of this great movement. Plans for an international convention had been made for Vienna in 1914 which was interrupted by the declaration of hostilities. It is interesting to note that one of the chief themes at this convention was to be the attitude of workingmen toward war. Several attempts were made during the conflict to get international representation at a meeting in some neutral country. While they were largely unsuccessful, there was held at Berne, Switzerland, on February 3, 1919, an international convention of socialists and of trade unions. These two meetings, while distinct in organization and in purpose, yet worked together in close co-operation. The chief result of these meetings was the Labor Charter which was presented to the Peace Conference at Paris. On February 24, 1919, there met in London the International Seafarers' Conference. At this convention were representatives of the most important Seamen's Unions from all the principal maritime countries in Europe, except Germany and Holland. Delegates were sent from the United States who took a leading part in this convention. The culmination of the international movement, however, has undoubtedly been the formation of a Commission on International Labor Legislation which met in connection with the Paris Peace Conference. The results of this Commission are so important as to deserve individual discussion.

## § 6. DANGERS OF POLITICS

One cannot speak of political action in connection with the labor movement as if it were a matter of more or less indifference to choose between industrial and political action. There is in the latter an inherent danger which does not belong to the former. Political leaders are too often not broad-minded, far-seeing, socially interested men. The very nature of their duties takes them out of the workshop and direct contact with industry, as British and French labor spokesmen have so often declared. Preferment is secured by them, not through efficient production or any other industrial achievement, but by

securing votes. And vote-getting is a profession in itself, wherein opportunism, the immediately expedient action, is a large factor. The shadow of a coming election falls far before it.

Not only does political activity have a non-industrial basis, but the subject matter of industrial problems also is in large part not suited for legislative action. Many industrial problems are individual to a plant and of technical character. To meet them effectively there is need for an intimate familiarity with the industry and for a flexible and quickly adjustable arrangement. Members of legislative bodies cannot furnish this familiarity or this flexibility.

And one further point. Where the Government steps into an industrial controversy as a third party it does not and cannot express the judgment and will of the "public." It is not the *vox populi*, the voice of the people, that speaks, because public opinion is relatively slow in forming, and even in the most democratic countries cannot have immediate or direct expression. The group is too large to make this possible, and, besides, political expediency can almost never be eliminated. The government official often expresses what he thinks is the opinion of the public or even what he wants that opinion to be.

## § 7. PLAN OF DISCUSSION

It is proposed to pursue this survey (*a*) by tracing the development in Great Britain of the Whitley Councils and showing their political significance; (*b*) by treating in the same way the Industrial Conference in Great Britain; (*c*) by giving a brief survey of political influences in France, and (*d*) in Italy; and (*e*) by a rather full discussion of the international political labor movement.



## CHAPTER XVI

### THE WHITLEY PLAN

#### § 1. PRECURSORS OF THE WHITLEY PLAN

In Great Britain much is to be learned as to the wisdom of the intervention of the third party, the Government, in the settlement of disputes arising between employers and their workers. Such intervention, of course, was tentative and remote in the beginning, and largely the outcome of governmental methods during the war. Instead of direct entrance into the affairs of individual establishments the Government tried to establish a general plan of bringing about settlements between workers and employers. It used its influence to have such a plan adopted, however much such action savored of governmental interference. One such scheme, supposed to fit in with previous experience, and least likely to create opposition, was the Whitley Plan, to which no little attention has been drawn.

Before discussing the first Whitley Report, which appeared in March, 1917, it is important to point out that its general principles had long been under examination and had even been put into practice previous to its publication. Of course the idea of joint boards was in any case familiar to English industry, because employers and labor had for many years been co-operating on joint conciliation committees. In 1913, for instance, 195 boards and joint committees took action within the knowledge of the Board of Trade, and together they dealt with 4,070 cases of dispute. Their success is evidenced by the fact that they settled 2,283 cases; 291 cases were settled by umpires whom the boards and joint committees appointed, and in only 31 instances did any stoppage of work occur. In some cases the function of these boards was extended to cover the discussion of grievances, rates of pay, and similar causes of dispute, even before an actual disagreement had arisen. Reference to these boards was in all cases voluntary.<sup>1</sup>

<sup>1</sup> "Labour, Finance, and the War," p. 33. A. W. Kirkaldy, Ed. London, 1916.

Turning to the more immediate precursors of the Whitley Plan, a proposal<sup>1</sup> made by Mr. Malcolm Sparkes, a building trades employer in London, to the unions in the building trades, called for industrial representation in a "National Industrial Parliament for the Building Industry." This plan, offered early in 1916, involved the setting up of district boards by both employers and unions, which would discuss the proposals of the industrial parliament and furnish local facts and statistics. A successful trial of the scheme was made by the painters and decorators. It was subsequently endorsed by the National Associated Building Trades Council.

According to a contemporary account<sup>2</sup> of the experiment in the Painting and Decorating Trade, the National Council was to have met four times a year, but the amount of business necessitated its meeting twice as often. The District Councils at which the masters' chairman and the men's chairmen presided alternately, met regularly and did much to avert and to settle disputes. A notable spirit of harmony and co-operation prevailed. The chief questions under discussion, however, were equalization of real wages, first in a given district and then on a national scale; prevention of unemployment by better organization of the industry; employment of disabled soldiers on such terms that their pension shall not be allowed to depress the wage standard; promotion of technical training and research; conditions of apprenticeship; pooling of schemes and suggestions for better conduct of the industry. Considerable progress in fixing a standard wage was made, for example, in the Manchester area and in Northeast Lancashire, where a time-rate for painters was set. The chief difficulty was encountered from non-federated employers and unorganized men, who did not conform to the standard rate. In some cases employers and unions co-operate to force their organization. While it is evident that the scheme worked toward industrial harmony there was a certain danger to the general public. A combination of employers and employees might agree to raise prices and wages to the detriment of the consumer. Yet this appeared rather remote in contrast with the real ad-

<sup>1</sup> Harris, H. Wilson: "The Whitley Scheme at Work." *Contemporary Review*, December, 1917, pp. 645-47.

<sup>2</sup> A Memorandum on Self-Government in Industry, together with a Draft for a Builders' National Industrial Parliament, London.

vantages gained by the National Painters' and Decorators' Joint Council.

At a convention held in April, 1916, representatives of iron and steel firms appointed a committee to draw up a plan for organizing this industry. The report of this committee recognized the need for co-operation with labor and recommended the formation of a National Advisory Council of Industry composed of representatives of employers and of employees. These two sections might meet either jointly or separately. The meetings should be presided over by an impartial Minister of Industry whose appointment or retirement should not be dependent upon a change of government. Local councils might be formed in addition to the National Council.

The *London Times* of December 11, 1916, reported a conference of Scottish industrial, commercial, labor, and agricultural associations which favored the formation of such a National Advisory Council and urged the appointment of a Minister of Industry.

The Garton Foundation published a memorandum<sup>1</sup> in October, 1916, which had already received the suggestive criticism of employers, representatives of labor, and public officials. It was an effort to offer a consistent program for the after-war situation in Great Britain. Its final section contained recommendations for co-operative management through industrial councils and works committees.

In *Chambers Journal* of October 21, 1916, an article<sup>2</sup> by E. T. Good, on "The Labour Problem and Its Solution," contained the following recommendation:

My suggestion is that in all our large industrial establishments we should form what I may term consultative committees. The committees should consist of elected representatives of the workmen and an equal number of foremen, managers, directors, or shareholders. They should meet regularly and freely discuss all matters affecting the works, the men, and the trade. By this means not only would valuable improvements often be proposed, but misunderstandings on both sides would be cleared up and many grievances would be remedied before they develop into disputes.

<sup>1</sup>Memorandum on the Industrial Situation after the War. The Garton Foundation, London, October, 1916.

<sup>2</sup>Good, E. T.: "The Labour Problem and its Solution." *Chambers Journal*, October 21, 1916, pp. 746-49.

Next I would have industrial district councils, composed of representatives of our chambers of commerce, employers' associations, trade unions, and friendly societies. These bodies could smooth out local labor troubles, promote good feeling between the labor and capitalistic organizations, and give advice and assistance to the municipal, educational, and other authorities.

Finally I would suggest the formation of a national council of industry composed of labor leaders and representatives of employers. This council, besides acting as a supreme tribunal in such labor disputes as failed to be settled locally, could conduct inquiries and make reports and recommendations upon general industrial, commercial, and social questions, supplying workmen, employers, and statesmen with information necessary to a correct understanding of the problems of labor and industry. It is not by such artificial devices as co-partnership and not by Government interference or arbitration that we can reasonably expect to solve the labor problem, but by the spread of knowledge and by voluntary co-operation between labor and organized capital, trade unions and employers' associations. Let us have labor and capital jointly organized. It is not sufficient that the labor leaders and the representative employers come together only on the occasion of disputes. We want them to work together constantly in combination for the common good.

Hence, it appears that the principle of joint councils for constructive industrial work, as well as merely for the settlement of disputes, had been brought to the foreground by persons directly engaged in industry even before the publication of the first Whitley Report by the Government sub-committee.

## § 2. FIRST WHITLEY REPORT

Comparatively early in the progress of the war there was abundance of discussion in the British newspaper and magazine press regarding after-war problems, particularly in relation to the reconstruction of industry. The radical changes in the labor situation caused by trade union acquiescence in the Treasury Agreement and the subsequent increase of Government control over industry made such questions loom large before the British public, the more as the progress of the war was accompanied by ever increasing labor unrest. Numerous public and semi-public associations formulated more or less elaborate reconstruction programs and from various sides the

Government was urged to take an active lead in such plants.

In March, 1916, the growing demand for peace preparedness led to the setting up of a Reconstruction Committee by the British Prime Minister. One of the sub-committees appointed was that officially entitled the Sub-committee on Relations between Employers and Employed. Set up in October, 1916, under the chairmanship of the Right Hon. J. H. Whitley, M.P., and composed of employers, representatives of labor and of the Government, it came to be known as the Whitley Committee, its reports as the Whitley Reports, and its proposals as the Whitley Plan.

The "terms of reference" of this sub-committee were:

(1) To make and consider suggestions for securing a permanent improvement in the relations between employers and workmen.

(2) To recommend means for securing that industrial conditions affecting the relations between employers and workmen shall be systematically reviewed by those concerned, with a view to improving conditions in the future.

The proposals of the first Whitley Report,<sup>1</sup> which appeared in March, 1917, were definitely limited to those main industries "in which there exist representative organizations on each side." In fact, the committee declared its

"considered opinion that an essential condition of securing a permanent improvement in the relations between employers and employed is that there should be adequate organization on the part of both employers and workpeople."

The means to carry out the agreements and arrangements made for the several industries and the ultimate success of the proposals for joint co-operation, it was stated, were dependent upon this organization. No attempt was made in this report to provide for the unorganized industries.

In reply to a question by the Reconstruction Committee as to the basis for determining what degree of

<sup>1</sup> Great Britain. Reconstruction Committee. Sub-committee on Relations between Employers and Employed. Interim Report on Joint Standing Industrial Councils, p. 8. London, 1917.



organization would justify the establishment of Industrial councils, the committee offered a classification contained in the Appendix. In somewhat fuller form the second report<sup>1</sup> (October, 1917) offered the same grouping as follows:

Group A. Industries in which organization on the part of employers and employed is sufficiently developed to render their respective associations representative of the great majority of those engaged in the industry.

Group B. Industries in which, either as regards employers or employed, or both, the degree of organization, though considerable, is less marked than in Group A.

Group C. Industries in which organization is so imperfect, either as regards employers or employed, or both, that no associations can be said adequately to represent those engaged in the industry.

The proposals of this first report applied solely to Group A.

Expressing the view that "it is vital that after the war the co-operation of all classes . . . should continue, and more especially with regard to the relations between employers and employed," the specific recommendation of the committee to secure this end was for the formation of joint standing industrial councils in the several industries where they did not already exist. These councils were to be composed of representatives of employers and employed and were to be organized on a national, a district, and a shop basis. The National Industrial Councils were to be organized first through the co-operation of existing employers' associations and trade unions. They in turn should develop the District Councils and Works Committees. The details for these joint committees were not worked out, as conditions would necessarily vary in the different industries, and as it was considered desirable that the scheme adopted should be a matter for agreement between the employers' associations and trade unions concerned.

The committee had defined as the general purpose of such representative organizations,

"the regular consideration of matters affecting the progress and well-being of the trade from the point of view of those

<sup>1</sup> Great Britain. Ministry of Reconstruction. Committee on Relations between Employers and Employed, p. 7. London, 1918.

engaged in it, so far as this is consistent with the general interest of the community.”

Among such questions, which might be dealt with by National Councils, District Councils, or Works Committees, according to the decision based on conditions in the particular industry, were the following:

- (I) The better utilization of the practical knowledge and experience of the workpeople.
- (II) Means for securing to the workpeople a greater share in and responsibility for the determination and observance of the conditions under which their work is carried on.
- (III) The settlement of the general principles governing the conditions of employment, including the methods of fixing, paying, and readjusting wages, having regard to securing for the workpeople a share in the increased prosperity of the industry.
- (IV) The establishment of regular methods of negotiation for issues arising between employers and workpeople, with a view both to the prevention of differences and to their better adjustment when they appear.
- (V) Means of ensuring to the workpeople the greatest security of earnings and employment, without undue restriction upon change of occupation of employer.
- (VI) Methods of fixing and adjusting earnings, piecework prices, etc., and of dealing with the many difficulties which arise with regard to the method and amount of payment apart from the fixing of general standard rates, which are already covered by paragraph (III).
- (VII) Technical education and training.
- (VIII) Industrial research and the full utilization of results.
- (IX) The provision of facilities for the full consideration and utilization of inventions and improvements designed by workpeople, and for the adequate safeguarding of the rights of the designers of such improvements.
- (X) Improvements of processes, machinery, and organization and appropriate questions relating to management and the examination of industrial experiments with special reference to co-operation in carrying new ideas into effect and full consideration of the workpeople's point of view in relation to them.
- (XI) Proposed legislation regarding the industry.

The committee suggested that the Government put these proposals before the public, the employers' and workpeople's associations with the request that they adopt measures for the establishment of National Industrial Councils where they did not already exist. The initiative in forming councils was left to the associations concerned. The Government was to act only in an advisory capacity at the preliminary meetings of a Council, if desired, and stand ready to furnish such helpful industrial information as was at its disposal. On request of a council the Government should also stand ready to nominate a chairman. While it was affirmed that "the state never parts with its inherent overriding power," it was the view of the committee that "such power may be least needed when least obtruded."

### § 3. SECOND WHITLEY REPORT

The second Whitley Report,<sup>1</sup> which appeared in October, 1917, after classifying<sup>2</sup> industries as A—organized, B—partly organized, and C—unorganized, offered proposals for the two latter groups. The plan already outlined in the first report could be adapted to Group B. As many women were employed in these industries, it was suggested that they should be represented on the councils. For Group C the establishment of Trade Boards appeared a reasonable solution, but with a legislative extension of their powers which should enable them to initiate and conduct inquiries on all matters affecting the industry as well as to fix a minimum standard of wages as in the past. It was also suggested that the Trade Boards might facilitate the transition to Industrial Councils as the industry became more organized.

The modifications of the Whitley Plan for the less organized and unorganized industries involved a considerable enlargement of Government influence. In the case of Group B there should be attached to the Council

"one or at most two representatives of the Ministry of Labour to act in an advisory capacity."

It was not proposed, however, that these Government representatives should possess a vote or that they should

<sup>1</sup> Great Britain. Ministry of Reconstruction. Committee on Relations between Employers and Employed, p. 7. London, 1918.

<sup>2</sup> *Ibid.* See p. 6

remain members after the industry became further organized, except at the wish of the Council. Moreover, it was to be left to the Ministry of Labour and the organizations concerned to determine the degree of organization which should be reached in an industry before a National Industrial Council should be established. The Committee explicitly stated:

“In Group C industries we think that organization will be encouraged by the use of the powers under the Trade Boards Act, and where National Industrial Councils are set up we recommend that the ‘appointed members’ of the Trade Board should act on the Councils in an advisory capacity. Briefly, our proposals are that the extent of state assistance should vary inversely with the degree of organization in industries.”

#### § 4. THIRD, FOURTH, AND FINAL REPORTS

In October, 1917, the Whitley Committee issued a supplementary report<sup>1</sup> which more specifically defined the functions of the Works Committees, organization of which had been recommended in the first and second reports. Rates of wages and hours of work, in the opinion of the committee, should be settled by district or national agreement,

. . . but there are also many questions closely affecting daily life and comfort in, and the success of, the business, and affecting in no small degree efficiency of working, which are peculiar to the individual workshop or factory. The purpose of a Works Committee is to establish and maintain a system of co-operation in all these workshop matters.

The committee made no definite suggestions for a constitution, feeling that details should be adapted to the particular circumstances. It emphasized the presupposition of “frank and full recognition” of employers’ and employees’ organizations and warned against the use of Works Committees in opposition to trade unionism.

For further guidance in forming works committees the committee pointed to a memorandum<sup>2</sup> in preparation by the Ministry of Labour which would summarize existing experience.

<sup>1</sup> Great Britain. Ministry of Reconstruction. Committee on Relations between Employers and Employed. Supplementary Report on Works Committees. London, 1917.

<sup>2</sup> Report of an Inquiry as to Works Committees made by British Minister of Labour. Reprinted by Industrial Relations Division. U. S. Shipping Board, Emergency Fleet Corporation, Washington, 1919, p. 131.

The fourth report<sup>1</sup> of the Whitley Committee, published January, 1918, dealt with conciliation and arbitration. The committee expressed itself as opposed both to compulsory arbitration and to compulsory prevention of strikes or lockouts pending an inquiry. War experience had shown that compulsory arbitration did not prevent strikes and there was "no reason to suppose that such a system is generally desired by employers and employed."

While the continued use of existing machinery for arbitration and conciliation was recommended, the committee also advised the creation of a Standing Arbitration Council, modeled after the Wartime Committee on Production to which

differences of general principles and differences affecting whole industries or large sections of industries may be referred in cases where the parties have failed to come to an agreement through their ordinary procedure. . . .

The importance of first hand knowledge of industry and of the standpoints of employers and employees was emphasized for members both of the tribunal and of the staff serving it. If the parties concerned agree, cases might be settled by a single arbitrator.

The final report<sup>2</sup> of the Whitley Committee merely summarized the proposals of the four preceding reports and urged their wider adoption. Further investigations, the committee felt, could be more profitably undertaken by the joint organizations in the several trades.

A note appended to the report by five members of the committee expressed the view that, however Industrial Councils might further industrial peace and progress,

a complete identity of interests between capital and labor cannot be thus effected, and that such machinery cannot be expected to furnish a settlement for the more serious conflicts of interest involved in the working of an economic system primarily governed and directed by motives of private profit.

## § 5. GOVERNMENT ENDORSEMENT OF WHITLEY PLAN

Two days after the appearance of the second Whitley Report the Minister of Labour sent a circular letter to

<sup>1</sup> Great Britain. Ministry of Reconstruction. Committee on Relations between Employers and Employed. Report on Conciliation and Arbitration, p. 5. London, 1918.

<sup>2</sup> Great Britain. Ministry of Reconstruction. Committee on Relations between Employers and Employed. Final Report, p. 4. London, 1918.



employers' associations and trade unions in which he recommended the formation of Whitley Councils in the following terms:

The Government desires it to be understood that the Councils will be recognized as the official standing Consultative Committees to the Government on all future questions affecting the industries which they represent, and that they will be the normal channel through which the opinion and experience of an industry will be sought on all questions with which the industry is concerned. It will be seen, therefore, that it is intended that Industrial Councils should play a definite and permanent part in the economic life of the country, and the Government feels that it can rely on both employers and workmen to co-operate in order to make that part a worthy one.

The fundamental reason why it was decided by the War Cabinet

“to adopt the Report as part of the policy which they hope to see carried into effect in the field of industrial reconstruction,”

was explained to be that

“the absence of joint representative bodies . . . had been found to render negotiations more difficult than they would otherwise have been.”

The proved value of a Joint Board of Control in the Cotton Industry was cited.<sup>1</sup> Among the problems which would be considered with the Whitley Councils were mentioned demobilization, resettlement of munition workers in civil industries, apprenticeship, training and employment of disabled soldiers, control of raw materials, and settlement of the more permanent questions which have caused differences between employers and employed in the past.

#### § 6. AIM OF WHITLEY PLAN DIFFERENT FROM THAT OF WORKS COMMITTEES

It is to be noted that the Whitley Plan had a different aim from that of Works Committees. The latter were intended to provide a means of communication and discussion between employers and workers in individual plants. Whitley Councils, however, while hoping to do all that was expected from Works Committees, had an

<sup>1</sup> The Cotton Trade, however, refused to adopt the Whitley Plan.

additional purpose. They were supported by the Government, with the intent of granting something in the way of control over industry to the workers. Such a purpose was even put forward as an argument in their favor:

“Assuming that attempts are made to set up committees, as recommended by the Report,” he said,<sup>1</sup> “there are two main directions in which we may expect good results almost immediately. They will bring employers and employed into more frequent personal contact, and will so tend to enable each to understand the difficulties of the other, and remove a good deal of the present bitterness of feeling, which by no means necessarily follows even from deep differences of principle. If the interests of employers and employed will still be different, it may at least help them to respect and understand one another. Secondly, the Whitley Report goes much further than any previous official action in recognizing the right of labor to a share in the control of industry. It not only gives increased responsibility to the leaders of labor, but also to the rank and file in the shop committees. It has even been said that the educational value of the Whitley Report should be such as to evolve gradually a new type of industrial citizen.”

While the relation between individual employers and their workers might be affected in minor questions, the same writer saw that the fundamental questions would still have to be fought out on the national field. In considering what ultimate result might be expected from the general adoption of the proposals of the Whitley Report, he felt that the tendency would be

“to remove the small causes of friction and misunderstanding, to force employers and employed respectively into enormous single organizations covering whole industries, and in each industry to leave great and well organized armies to fight out with one another the fundamental questions of control and reward.”

Although some employers were likely to try to find in the Whitley Plan a refuge against the radical labor elements, their approval when given was guarded. The Federation of British Industries approved the general principle of the scheme. Its recommendations, issued August, 1917, stated that:<sup>2</sup>

<sup>1</sup> Simon, E. D.: “Labour from an Employer’s Point of View.” *Contemporary Review*, May, 1918, pp. 551-58.

<sup>2</sup> Federation of British Industries: “Industrial Councils. Recommendations on the Whitley Report,” p. 4. London, August 3, 1917.

The Government ought to go far to recognize and give an official standing to organizations representative of employers and workpeople, respectively, and to encourage the development of such organizations.

At the same time the Federation urged that:

There should be no suggestion whatever of Government pressure or coercion, and that each trade shall be free to build up its own organization voluntarily and on lines best suited to its peculiar needs.

The Federation, however, was not in favor of entrusting constructive work to district or works councils. Although they might bring up for consideration matters of general interest, the final decision should be a function of the highest council. This highest council, according to the Federation's program, should be composed of representatives of employers and employed from all industries.

In a later report by the Federation of British Industries the following position has been taken on Whitley Councils:

Generally speaking, we think that the objects which we have in view can best be obtained by carrying out with all possible speed the recommendations of the Whitley Report. In regard to National and District Industrial Councils, where the conditions of the trade permit, these recommendations have repeatedly been approved by the Federation, and we desire once more to state in emphatic terms our approval of them, and especially of the proposals for District Councils.<sup>1</sup>

It is further declared that the success of the Whitley Councils will necessarily depend on the loyal acceptance of their decisions by both sides. Some Councils, they declare, have already applied for legislation to give legal validity to their decision.

One employer<sup>2</sup> of standing wished to give definition to the proper functions of the joint standing industrial councils recommended by the Whitley Committee. In the first place such a council "must be absolutely debarred from doing any work that can be done by an individual." The liberty of the individual to carry on his own business in his own way must be preserved. Nor should it undertake duties which could be performed by any sectional

<sup>1</sup> Federation of British Industries: "The Control of Industry, Nationalization, and Kindred Problems," p. 7. July 30, 1919.

<sup>2</sup> Benn, Ernest J. P.: "The Higher Direction of Industry." *Contemporary Review*, June, 1918, pp. 671-79.

organization, employers' organization or trade union, or by any group of employers or employed.

With these reservations, there remained, according to Mr. Benn's view, a large field of work which would include readjustment after repeal of war regulations, higher control of industry, especially with regard to distribution of raw materials, redemption of trade union pledges, demobilization, and apprenticeships. Beside these immediate problems, suitable permanent activities for the joint industrial councils would be the encouragement of scientific research and education and the organization for export trade.

#### By the Federation of Lace and Embroidery Employers' Associations

it was held that certain subjects mentioned were not properly the concern of workpeople and employers, and that such as supply and allocation of raw materials, financial facilities and stability of home manufactures, are the intimate concern of employers and their associations alone.

But in the main there was a more favorable attitude to the plan among employers than among the unions. The railway unions and the miners rejected the Whitley Scheme because they were demanding that the workers should control the railways and the mines, respectively. Moreover, as they have a monopolistic position, they incline to favor direct action to secure their demands. That the same view is influential among workers in the engineering trade is demonstrated by the speech<sup>1</sup> of J. E. Mills, of the Amalgamated Society of Engineers, at the last Trades Union Congress, in which he said:

The Whitley Report is all very well for those sections of industry for which we have had to secure justice by wage boards and other items of state interference, but when the organized workers are able to make definite claims and to back them up, the need for the Whitley Report has gone. We do not require the Whitley Report and I hope the Congress will think twice before they pass any resolution accepting the principles of this report, which, after all, is asking us to lie down, the lion and the lamb together, and see who comes out of it with most of his skin left.

A similar position was taken by W. L. Cooke, of the Locomotive Engineers, and by E. H. Jarvis, of the Amalgamated Carpenters, who claimed that

<sup>1</sup> "Trades Union Congress," p. 308. Derby, 1918.

The employers are making preparations to secure a domination of the working classes after the war, and our members are taking corresponding measures to defend their position. Although the ideas expressed in the Whitley Report may be good, and we hope they may be worked out in a peaceful manner, the report does not commend itself to our members. . . .

The Whitley Plan has been rejected in a number of trades because they already had agencies in existence which were fairly satisfactory to both sides.

In the Cotton Industry the Commission were told

“that the employers are well satisfied with their present plan for collective bargaining. They object seriously to the substitution of the Whitley Plan, which involves bringing in outsiders not selected by the parties to the dispute and who may not be familiar with the business. A stranger to the business, even though his impartiality is well known, cannot judge correctly of the relative merits of the controversy.”

Among others the engineering trade unions had a definite and organized system of negotiation between employers and workers and claimed that their scheme was superior to that of the Whitley Committee. The tinplate industry, which was highly organized, also had a successful system of conciliation which the members refused to jettison in favor of the Whitley Scheme.

The Building Trades adopted a plan of their own, January 30, 1918, saying that:

If this scheme is not accepted by the industry they would have foisted on them by the Government a scheme under which the Government would have the selection of representatives. They felt that the scheme suggested by their committee was far preferable, as they would keep the management of their affairs in their own hands.

Probably in part as a response to public discussion and criticism, the Minister of Reconstruction and the Minister of Labour issued a joint memorandum<sup>1</sup> in June, 1918, which admitted “in the light of experience” the necessity for certain modifications of the proposals of the second Whitley Report. The special type of Council for Group B industries was abandoned, and no Government officials were to be attached, “except on application of the Industrial Council itself.” Trade Boards and Industrial Councils were to be kept entirely distinct.

<sup>1</sup> Great Britain. Ministry of Reconstruction. Industrial Councils and Trade Boards. Memorandum by the Minister of Reconstruction and the Minister of Labour, p. 4. London, 1918.



Discussion<sup>1</sup> at the Trades Union Congress in 1917 also indicated fear of too much Government intervention, perhaps leading up to a scheme of compulsory arbitration. Opposition came, on the whole, from speakers in those unions which already had a secure position and permanent arrangements for dealing with employers. It was also claimed that fuller control of industry should be given to labor.

### § 7. FEAR OF GOVERNMENTAL INTERFERENCE

One cause of opposition to the Whitley program was the fear of governmental interference. This fear was expressed to our Commission in many ways.

The National Alliance of Employers and Employed, which owes its inception in large part to the Federation of British Industries, urged that governmental oversight should be reduced to a minimum. The following extract from an article<sup>2</sup> appearing in its official organ, *Industrial Unity*, in September, 1918, indicates the general line of objections offered by the Alliance:

One of the temporary stumbling blocks to the adoption of the Whitley Scheme was the strenuous advocacy by the Government. Then, too, at the beginning, there was much talk of the whole scheme being permanently under the patronage of the Ministry of Labour. There were references to liaison officers, of special departments, of new permanent officials, of records, etc., and trade unions who have long since become tired of the Registrar-General and a host of other bureaucratic busybodies, do not wish to become connected with any more Government Departments. The National Alliance of Employers and Employed criticized this side of the advocacy of the Whitley Committees, and largely because of its criticism that point of view has been modified and even repudiated by responsible ministers.

It had been the intent of those presenting the plan that the employer would take the initiative in creating Whitley Councils. This, however, was in fact not done. Consequently, it was said that some directing and stimulating hand from the Department of Labour was proving to be desirable. It was this intervention that caused more or less antagonism.

<sup>1</sup> Trades Union Congress. 49th Annual Report, 1917, pp. 226-35.

<sup>2</sup> *Industrial Unity*. Periodical Report of the National Alliance of Employers and Employed. London, September, 1918. Vol. 1, No. 5, p. 33.

An official of a large manufacturing establishment visited by your Commission said:

This company objects to the Whitley plan because of the introduction of politicians. The company believes that the masters and men can get together and handle their differences better without calling in any politicians. This Whitley Plan is considered a most dangerous experiment. Shop Committees, also, should be avoided whenever possible. The anarchistic element will always lead because the sane men keep quiet.

A leading employer in the printing trades reported to us as follows:

His opinion was that the Ministry of Labour, for the Government, was trying to induce the employers to aid in and accept the organization of the workmen in trade unions. That is, when the Government was called in to treat disputes, obviously they found it of advantage to act with organizations both of laborers and of employers. From the political point of view there was a strong tendency to urge employers to assist in the organization of employees. He thought this unfortunate, because in dealing with their own employees they had been able to get on with them better than working through larger organizations. He thought the schemes proposed by the Government and in the Whitley Program likely to be disadvantageous. The men who formed the Works Committees were the extremists who tried to get possession of the machinery of the unions and had very radical aims in view. He therefore felt strongly that the employers must organize to resist this tendency.

The manager of a great shipbuilding plant said that

he was not at all favorable to the Whitley Plan, owing to the fact that it provides for a central national organization in which the political influence is certain to be strong.

Also, the head of a large Birmingham establishment said to us:

I am not in favor of the Whitley Plan, as it introduces politicians into the regulation of labor matters.

Mr. W. A. Appleton, of the General Federation of Trade Unions, expressed himself thus:

He would keep the politicians off. The workers and employers should first take up matters with committees of their own people. If necessary, they may themselves agree on a

chairman who is an outsider, but this chairman should not be nominated by the politicians. Likewise, if operating as a local organization, the chairman should be selected by the local organization and not by the National Government. Also, in case of national organizations, the matter should be settled without the interference of Government if possible.

As bearing on the delicate question of the organization of Government employees, the British experience shows how easily the political views spread throughout the whole system. In the Trades Union Congress (September, 1918), the following resolution was introduced:

That this Congress call upon the Government to apply the principles of the Whitley Report to all departments of state service.

A member of the Postal Engineers, in seconding the motion, remarked that

What is good enough for the Government to preach to the employers is good enough to be applied in their own departments.

On the 20th of February, 1919, a preliminary conference<sup>1</sup> was held between members of trade unions having members in Government employ and Government officials, at which the Minister of Labour stated that:

The Government is whole-heartedly supporting that [the Whitley] principle, and that we agree that it shall be carried out in the most complete fashion in all the shops and yards for which the Government is responsible.

The conference accepted a draft scheme for Whitley Councils which had already been approved by the War Cabinet and appointed a provisional committee of trade unionists and representatives of Government departments for setting up the Councils. It also recommended provision for reference to arbitration by a Standing Arbitration Council in any cases in which the Treasury or the employing departments are not prepared to approve and adopt a recommendation of the Joint Council. The Provisional Committee has now drawn up draft constitutions<sup>2</sup> for Departmental Joint Councils, Trade Joint Councils, for (a) Shops, (b) Departments, (c) Works or Yard, and (d) Trade Committees in local establishments under Government departments.

<sup>1</sup> Great Britain: *Labour Gazette*, March, 1919, pp. 81-82.

<sup>2</sup> Great Britain: *Labour Gazette Supplement*, June, 1919.

The movement for joint councils has also spread to municipalities in England, since it is reported<sup>1</sup> plans for a National Council for employees of local authorities have been drawn up by a committee from the large municipal associations on the one hand and representatives of twelve large trade unions on the other. The Bradford City Council has already organized a joint consultative board of the corporation and its employees, consisting of thirty-two members, one half representing the corporation, the other half the respective groups of employees. Other municipalities are considering the formation of similar local boards.

#### § 8. GOVERNMENT AID IN SETTING UP WHITLEY COUNCILS

With some general reluctance on the part of the workers, combined with a fear of outside interference on the part of employers, the formation of Whitley Councils has not met expectations. And yet very active help has been given by the Ministry of Labour. The Ministry of Labour has a staff of men trained in economics, skilled in British industrial history and in knowledge of industrial problems. On request one of these men is sent to any group of employers or trade unionists to explain the scheme and to give any assistance required in setting up the machinery. Explanatory pamphlets have also been issued, one of which has reached a total issue of 200,000.

By the middle of June, 1918, two industries (pottery and building trades) had completed the organization of Whitley Councils and held their first meeting and another (heavy chemicals) had approved its draft constitution. A draft constitution had been formulated by 11 trades (baking, cable-making, carting, electrical contracting, furniture, gold, silver, and jewelry, leather goods and belting, printing, rubber, silk, vehicle building). In three other trades (boot and shoe, tramways, woolen and worsted) a provisional committee had been appointed and a conference held to consider the proposition. A statement in the *London Times* at the close of 1918 showed that councils had been set up in 19 different trades, and were being arranged in 14 others. In some 27 other trades what are called interim industrial reconstruction committees were in existence.

<sup>1</sup> *U. S. Monthly Labor Review*, April, 1919, pp. 157-58.

The earliest council<sup>1</sup> set up was that in the pottery industry, which held its first meeting, January 11, 1918. The objects of the council were stated to be "the advancement of the pottery industry and of all connected with it by the association in its government of all engaged in the industry." The questions on which the Council could take action were similar to those outlined in the Whitley Report. They differ only in being more concrete, and therefore of more significance. Among them are to be found such topics as regular consideration of wages, piecework prices and conditions, with a view to establishing and maintaining equitable conditions throughout the industry; to assist maintenance of such selling prices as will afford reasonable remuneration to both employers and employed; the regularization of production and employment as a means of insuring to the workpeople the greatest possible security of earnings and

the collection of full statistics on wages, making and selling prices, and average percentages of profits on turnover, and on materials, markets, costs, etc., and the study and promotion of scientific and practical systems of costing to this end. All statistics shall, where necessary, be verified by chartered accountants, who shall make a statutory declaration to secrecy prior to any investigation, and no particulars of individual firms or operatives shall be disclosed to any one.

The membership of the Council consists of 30 manufacturers' representatives, including salaried managers, appointed by manufacturers' associations, and 30 workpeople, including several women nominated by the trade unions.

At the National Industrial Conference in February, 1919, the Minister of Labour reported<sup>2</sup> that

through the mechanism of the Ministry of Labour 26 Industrial Councils have come into existence and 24 more are on the way. These will cover 2½ millions of workmen.

In June, 1919, National Joint Industrial Councils had been established<sup>3</sup> in 33 industries:

asbestos manufacture; bread baking and flour confectionery; metallic bedsteads; bobbin and shuttle making; building; chemical trade; china clay; coir mat and matting; elastic

<sup>1</sup> Great Britain, *Labour Gazette*, February, 1918.

<sup>2</sup> Great Britain. Report of the National Industrial Conference, February 27, 1919, p. 11. London, 1919.

<sup>3</sup> Glendenning, J.: "The Whitley Councils," *Fortnightly Review*, June, 1919, pp. 958-64.



web, cord, braid, and smallwares fabric; electrical contracting; electricity supply; furniture; gas; gold, silver; horological and allied trades; hosiery; hosiery (Scottish section); local authorities; non-trading services (manual workers); made-up leather goods; match manufacture; packing-case making; paint, color and varnish; waterworks undertakings; welch plate and sheet trades; pottery; road transport; rubber manufacture; sawmilling; silk; tin-mining; vehicle building; wallpaper making; woolen and worsted; woolen and worsted (Scottish section).

In addition, provisional committees had been appointed to draft constitutions for National Joint Industrial Councils for the following industries:

boot and shoe manufacture; carpets; flour milling; musical instruments; needles and fishhooks; newspapers; printing; roller engraving; shipping; surgical instruments; tramways; wire drawing.

At last reports some 42 Councils were in existence; but, according to a representative of British Labor speaking in this country, only three or four are really active. It has been claimed that the Trade Board is a far more effective instrument for the workers.<sup>1</sup>

A significant case, showing the force of local representation, was found by the Commission in the milling trade. The employers' federation of the milling trade had adopted the Whitley Scheme in its relations with workpeople. Beginning in the opposite order from that recommended, many firms have set up Works Committees, several District Councils are in existence, and the National Council was in process of formation. As the flour millers were not sufficiently organized twelve months ago to set up a National Council, they preferred to start from the bottom up, and were at first threatened with refusal of recognition by the Ministry of Labour. In 1917 this association was reorganized and now has affiliated with it 17 local associations in the United Kingdom.

Representatives of the Ministry of Labour informed the Commission that one of the greatest perplexities in the application of the Whitley Program was the position of the salaried staff. The difficulty was to place them in the bi-partite division of the Councils into employers and employed. In one industry the clerks had ranged themselves on the side of the workers. In

<sup>1</sup> Miss Margaret Bondfield. Tremont Temple, Boston, July 9, 1919.

the pottery trade the managers who had been given a seat on the committees had also ranged themselves on the workers' side. In the electrical trade great difficulty had been experienced with the electrical power engineers. These men formed one fifth of the total employees in the trade and were pivotal men. The industry could not continue without them while they could, and had, run the power stations even when the general laborers had struck. A similar situation had arisen with the manufacturing chemists. Employers were only the financiers in this industry; the laborers were mostly unskilled; the manufacturing chemists were the brains of the industry. In these two latter industries the question of the representation of the salaried staff was still under discussion. The position of the Ministry of Labour was that the parties, employers and employed, must settle this matter of policy between them without governmental interference.

#### § 9. ULTIMATE AIM TO GIVE LABOR A SHARE IN CONTROL

There can be no question that the intent of the Whitley Councils, in which governmental pressure is brought to bear, is to give labor a larger share in the control of industry than it has had in many trades. This intent seems to be more than that indicated by Mr. Whitley himself at a summer conference of Industrial Councils at Oxford, when he was reported to have said:

It has been too much the habit, in days gone by, to think that the interests of those who had been described as the workers — a misdescription, he thought, or a partial description — in industry began and ended with the number of hours they worked and the amount of wages they drew. Every man and woman engaged in an industry ought to have some interest in that industry beyond the wages or salary they are entitled to. The barrier which hitherto in most instances had sharply defined classes had no proper reason for existence any longer. It is possible, both in the individual factory and workshop and in the councils of industry as a whole as part of the great national effort, that there should be joint working, constructive co-operation on the part of all persons, men and women, engaged in that industry.

Such a consummation is devoutly to be wished; but it is a question whether the means actually adopted will accomplish the desired end. Among the questions to be dealt with by the councils is a settlement of the general

principles governing the fixing of wages.<sup>1</sup> Certainly these councils deserve to be immortalized if they solve what the economic world has been struggling with for generations.

The means to the end in this scheme is based on unionism. At the Ministry of Labour it was stated that trade unionism was recognized as the starting point of the organization of the Whitley Councils; that the scheme was a constructive step, an advance from the defensive policy alike of employers and trade unions to one of co-operation.

That the scheme is based on unionism is clear, not only from the governmental pressure to secure full unionization, but also by its executive action. It has no place for non-union men; it refuses governmental care to unorganized labor.

In the printers' trade, after the strike of 1911 many great printing establishments had become "open shops." When the formation of a Whitley Council was suggested it became apparent that these non-unionists could not be represented without organization. The "open-shop" employers therefore organized an "Alliance" which included themselves and their employees, had it registered as a trade union, and asked for representation on the Whitley Council. The printing trades unions objected to this "blackleg," and the Minister of Labour refused to recognize it. The negotiations were long and protracted, since the Federation of Master Printers could exercise no compulsion over their employer members. Eventually, when the plan of the Industrial Council was drawn up, its members were to be employers, who were members of the Federation of Master Printers or employed members of a federated trade union, and trade unions. There was added, with obvious reference to this "Alliance," the following restrictive sentence: "No members of any organization not in harmony with the objects of both Federations shall be eligible for membership of the Industrial Council."<sup>2</sup>

The Whitley Program, therefore, becomes one of the illustrations of the operation of political influences intervening in the settlement of labor questions. It is a far cry from the formation of simple Works Committees in which individual employers and their workers meet to settle disputes of a local and immediate character. The invisible hand that Adam Smith immortalized is now no longer invisible.

<sup>1</sup> See III in list of First Whitley Report. *Supra*, p. 241.

<sup>2</sup> *The Builder*, Vol. 134, p. 80.

## CHAPTER XVII

### THE NATIONAL INDUSTRIAL CONFERENCE

#### § 1. A POLITICAL MOVE

An intervention of the British Government in industrial matters of a much more obvious political character appears in the recent creation of the National Industrial Conference. The critical situation produced by the Triple Alliance in the early part of 1919 and the acute fear of a cessation of basic industries led to a demand for governmental action. Here was presented a case where economic questions were approached from the political point of view. While it was in the very nature of the case impossible for a Government to furnish a solution of the fundamental problem, nevertheless an attitude of the public mind had arisen which expected the impossible; and the Government was forced to "do something."

The action desired was to call a joint conference of employers and workers. The Government had already been urged to take this course by the Executive Committee of the National Alliance of Employers and Employed as early as September, 1918. The project was, according to *Unity*,<sup>1</sup>

for a great national conference, not on the old lines, where the representatives of Capital and Labor met separately (the former to pass pious condemnations, the latter to pass pious resolutions), but on entirely new lines. The scheme aimed at securing that employers and trade unionists should deliberate together as the two partners in industry, and, in conjunction with representatives of the State, produce an agreed and practical industrial policy.

The Government was regarded by some as failing to respond to expectations and was blamed for inaction and vacillation:

Politicians have traded concessions to Labour for Labour votes whilst denouncing Labour as Bolshevism to placate the Middle Classes.

<sup>1</sup> March, 1919, p. 2.

. . . One thing, however, is quite clear; the Government has utterly failed to provide a means or institute a policy which shall stem the drift toward revolt, let alone bring industrial peace.<sup>1</sup>

The National Alliance complained that the Government did not even trouble to consider its scheme of a conference until the industrial unrest became extremely grave.

On the other hand, the point was raised that if the Government would justify its primary function of keeping order, the economic questions, quite beyond the sphere of political action, should be allowed to work themselves out.

Sir Allan Smith, of the Engineering and Shipbuilding Employers' Federation, speaking at the National Industrial Conference insisted that<sup>2</sup>

the whole experience of the past twenty years has proved that if the Government will leave us alone, we are far better able to settle our troubles than we should be under the aegis of any outsider.

But the Government seemingly wanted something in addition to the Whitley Plan, although the Minister of Labour during his opening speech explained that agreements between employers and workmen regarding fixing of hours were already in operation covering three million of workmen and that negotiations were going on for trades which would cover two million more (referring obviously to the Whitley Councils).

This situation induced the Government to take some additional action for a general consideration of the industrial problems facing the nation. On February 18th<sup>3</sup> the Ministry of Labour announced that a National Industrial Conference would be held to confer with the Minister of Labour, the Prime Minister, and other representatives of the Government, regarding means for allaying industrial unrest. Invitations to send representatives were issued to employers' associations and federations, trade unions and federations of trade unions, joint industrial councils, interim industrial reconstruction committees, trade boards, and certain other important

<sup>1</sup> *The Organizer*, February, 1919, pp. 153-54.

<sup>2</sup> Great Britain, Report of the National Industrial Conference, February 27, 1919, London, 1919, p. 19.

<sup>3</sup> *Spectator*, February 22, 1919, p. 218. Great Britain, *Labour Gazette*, March, 1919, p. 78.



interested committees, such as the Parliamentary Committee of the Trade Union Congress, the Parliamentary Committee of the Scottish Trades Union Congress, the Federation of British Industries, the National Alliance of Employers and Employed. When the Congress convened on February 27th, about 300 representatives of employers and 500 representatives of workpeople were present.

## § 2. ATTITUDE OF GOVERNMENT AT CONFERENCE

It was the purpose of the Government representatives in conducting the Conference to put the leading problems before the delegates and give the opportunity for free discussion before any action was taken. With this object in view the Minister of Labour as Chairman opened the Conference by pointing out that the inconsistent demands of the various unions had resulted in disputes, the continuance of which would endanger the very existence of the country. For this reason, he said,

it was decided to invite this large and responsible assembly to come here for the purpose of giving to the Government the best of their advice and assistance.

After this introduction he reviewed the main phases of the labor problem, touching upon unemployment, hours of labor, wages, housing, cost of food, strikes, and the redemption of war pledges. Outlining the general position of the Government in these matters, he again appealed to the Conference for assistance in the solution of these internal difficulties.

Immediately upon the close of this appeal for co-operation, a discordant note was struck by the representative of the Amalgamated Society of Engineers, who characterized the Conference as "somewhat similar to that which met in May of 1789, at Versailles, when representatives of the various departments of France listened to a very important speech from the Crown." From this beginning one trade union speaker after another went on with criticisms of the Government and recriminations against the employing class. In fact, Mr. J. H. Thomas, of the Railwaymen, practically put an ultimatum for the

Triple Alliance before the Conference in the following words:

The workers, and I speak more especially for the members of our threefold organization, are determined to shorten materially the hours of labor in their respective industries. They are dissatisfied with the system of society which treats their labor power as a mere commodity to be bought, sold, and used as though they were machine-like units in the process of wealth production, and they therefore demand that they shall become real partners in industry, jointly sharing in the determination of working conditions and of management. Labor becomes increasingly alive to its sovereign power, and will shirk no responsibility, but equally it will be denied none of its rights and privileges. The Miners, Railwaymen, and Transport Workers stand unalterably for ownership by the State of the mines, railways, and the means of inland and coastal transport.

So far there had been no speaker for the employers. In response to a suggestion that employers should be heard from, Sir Allan Smith, of the Engineering and Shipbuilding Employers' Association, rose to plead for moderation and a reasonable discussion, instead of the recrimination and vague statements of aspiration that had been heard from the labor spokesmen. He also suggested a resolution that

an Industrial Committee consisting of twenty representatives of the employers, twenty representatives of the unions, and (whatever number is decided to be wise) representatives of the Government Departments, under the presidency of the Minister of Labour, be appointed to consider and report to a further meeting of this Conference, on the causes of the present unrest and the steps to safeguard and promote the best interests of the employers, the workpeople, and the State, and, second, that, in view of the urgency of the situation, it be a direction to the committee to present an Interim Report or Interim Reports as soon as it is in a position to do so.<sup>1</sup>

From this time on the Conference assumed a more reasonable tone. A disposition to put aside differences and to co-operate in seeking a satisfactory solution was manifested. Mr. J. R. Clynes stated that his chief concern was lest Labor ask too much at one time for its own good, and said that so far as he understood the

<sup>1</sup> National Industrial Conference, February 27, 1919, p. 21.

resolution of Sir Allan Smith, he endorsed it. Mr. Arthur Henderson agreed that since the present problems were not merely temporary in character, the resolutions for a permanent Industrial Council, with thirty representatives of each side, should be passed, and that the subjects for investigation should be wages, hours of labor, industrial relations, and unemployment.

At the close of the discussion the Prime Minister answered some of the objections raised by various speakers and pointed out that the first condition for renewed prosperity was the restoration of confidence. He appealed to all parties to co-operate for this purpose and suggested for adoption a revision of resolutions already offered by Sir Allan Smith and Mr. Arthur Henderson. In its revised form the resolution adopted by the Conference was as follows:

That this Conference, being of the opinion that any preventable dislocation of industry is always to be deplored, and, in the present critical period of reconstruction, might be disastrous to the nation, and thinking that every effort should be made to remove legitimate grievances and promote harmony and good will, resolves to appoint a Joint Committee, consisting of equal numbers of employers and workers, men and women, together with a chairman appointed by the Government, to consider and report to a further meeting of this Conference on the causes of the present unrest and the steps necessary to safeguard and promote the best interests of employers, workpeople, and the State, and especially to consider, and report to a further meeting of this Conference on the causes of the present unrest and the steps necessary to safeguard and promote the best interests of employers, workpeople, and the State, and especially to consider:

- (1) Questions relating to Hours, Wages, and General Conditions of Employment.
- (2) Unemployment and its prevention.
- (3) The best methods of promoting co-operation between Capital and Labor.

The Joint Committee is empowered to appoint such sub-committees as may be considered necessary, consisting of equal numbers of employers and workers, the Government to be invited to nominate a representative for each.

In view of the urgency of the question the Joint Committee is empowered to arrange with the Government for the re-assembling of the National Conference not later than April 5th for the purpose of considering the report of the Joint Committee.

It is worth noting that opposition to the passage of such a resolution came from two sources. Some delegates objected that they had no mandates from their organizations to take action. Another small group claimed that the Conference in spite of its majority of workers' delegates could not be regarded as an accredited delegate conference of the labor movement. It was asserted that some members represented only comparatively few dozen people on an industrial council. In spite of the refusal of the Triple Alliance and the Amalgamated Society of Engineers to be a party to the resolution, however, it was passed by a majority of those present.

At separate meetings of the delegates thirty members of the Joint Committee were chosen for each side, two women being included among the representatives of workpeople. As independent chairman the Government appointed Sir Thomas Munro; Sir Allan Smith was elected chairman for the employers and Mr. Arthur Henderson for the workers. At the first meeting of the Joint Committee, March 4th, the work was divided among three subcommittees, with the following terms of reference:

“(1) To make recommendations concerning:

(a) The methods of negotiation between employers and trade unions, including the establishment of a permanent Industrial Council to advise the Government on industrial and economic questions with a view to maintaining industrial peace.

(b) The method of dealing with war advances, and

(c) The methods of requesting wages for all classes of workers, male and female, by legal enactment or otherwise.

“(2) To make recommendations as to the desirability of legislation for a maximum number of working hours and a minimum rate of wages per week.

“(3) To consider the question of unemployment, and to make recommendations for the steps to be taken for its prevention, and for the maintenance of the unemployed in those cases in which it is not prevented, both during the present emergency period and on a permanent basis.”<sup>1</sup>

<sup>1</sup> Report of Provisional Joint Committee, p. 3.

### § 3. REPORT OF PROVISIONAL JOINT COMMITTEE

The full report<sup>1</sup> of the Joint Committee was presented to the members of the National Conference some days before its reassembly on April 4th. In submitting its recommendations the Joint Committee stated that it had been impossible

to attempt any exhaustive investigation into every aspect of unrest, to examine fully the relation between under-consumption and unemployment, between wage standards and purchasing power, the relationship of production to the whole economic and industrial situation, and many other fundamental but complicated matters of discussion.

Hence it advised the establishment of a permanent National Industrial Council for investigation and continuous review of such questions.

It also put itself on record as favoring the steps being taken in favor of international regulation of labor conditions.

The following definite conclusions were drawn by the Joint Committee:

#### HOURS.

- (a) The establishment by legal enactment of the principle of a maximum normal working week of forty-eight hours, subject to — .
- (b) Provision for varying the normal hours in proper cases, with adequate safeguards.
- (c) Hours agreements between employers and trade unions to be capable of application to the trade concerned.
- (d) Systematic overtime to be discouraged, and unavoidable overtime to be paid for at special rates.

#### WAGES.

- (a) The establishment by legal enactment of minimum time-rates of wages, to be of universal applicability.
- (b) A Commission to report within three months as to what these minimum rates should be.
- (c) Extension of the establishment of Trade Boards for less organized trades.

<sup>1</sup> Great Britain. Industrial Conference. Report of Provisional Joint Committee for Presentation to Further Meeting of Industrial Conference, April 4, 1919. London, 1919. XXVIII, p. 14.



- (d) Minimum time-rates agreements between employers and trade unions to be capable of application to all employers engaged in the trade falling within the scope of the agreement.
- (e) Wages (Temporary Regulation) Acts, 1918, to continue for a further period of six months from 21st May, 1919.
- (f) Trade Conferences to be held to consider how war advances and bonuses should be dealt with, and, in particular, whether they should be added to the time-rates or piecework prices, or should be treated separately as advances given on account of the conditions due to the war.

#### RECOGNITION OF, AND NEGOTIATIONS BETWEEN, ORGANIZATIONS OF EMPLOYERS AND WORKPEOPLE.

- (a) Basis of negotiation between employers and workpeople should be full and frank acceptance of employers' organizations and trade unions as the recognized organizations to speak and act on behalf of their members.
- (b) Members should accept the jurisdiction of their respective organizations.
- (c) Employers' organizations and trade unions should enter into negotiations for the establishment of machinery, or the revision of existing machinery, for the avoidance of disputes, with provision for a representative method of negotiation in questions in which the same class of employers or workpeople are represented by more than one organization respectively, and for the protection of employers' interests where members of trade unions of workpeople are engaged in positions of trust or confidentiality, provided the right of such employees to join or remain members of any trade union is not thereby affected.

#### UNEMPLOYMENT.

##### (1) Prevention of Unemployment.

- (a) Organized short time has considerable value in periods of depression. The joint representative bodies in each trade afford convenient machinery for controlling and regulating short time.
- (b) Government orders should be regulated with a view to stabilizing employment.
- (c) Government housing schemes should be pressed forward without delay.
- (d) Demand for labor could be increased by State development of new industries.

(2) Maintenance of Unemployed Workpeople.

- (e) Normal provision for maintenance during unemployment should be more adequate and of wider application, and should be extended to under-employment.
- (f) Unemployed persons, and particularly young persons, should have free opportunities of continuing their education.
- (g) The employment of married women and widows who have young children should be subject of a special inquiry.
- (h) The age at which a child should enter employment should be raised beyond the present limit.
- (i) Sickness and Infirmity Benefits and Old Age Pensions require immediate investigation with a view to more generous provisions being made.

NATIONAL INDUSTRIAL COUNCIL.

- (a) A permanent National Industrial Council should be established to consider and advise the Government on national industrial questions.
- (b) It should consist of 400 members, 200 elected by employers' organizations and 200 by trade unions.
- (c) The Minister of Labour should be President of the Council.
- (d) There should be a Standing Committee of the Council numbering 50 members and consisting of 25 members elected by and from the employers' representatives, and 25 by and from the trade union representatives, on the Council.

The employers on the Joint Committee found it impossible to complete a statement on production which they had intended to submit with the report. The trade unionists, however, did offer a provisional scheme for trade union representation on the National Industrial Council and an extended memorandum, apparently without any official status, on the causes of and remedies for industrial unrest, both of which were included as appendices to the report "by their express wish that it shall be published in this report." They were inclined to hold the Government responsible for a considerable share of the labor unrest. For instance:

Not only social theorists, but also the most prominent spokesmen of the Government have constantly told the workers that we should never revert to the old conditions of industry and that an altogether higher standard of life and an altogether superior status for the worker in industry

would be secured as soon as the immediate burden of hostilities was removed. The Prime Minister himself has urged an official deputation from the Labour Party to be audacious, and the promises of drastic industrial change made by the Government are too numerous to chronicle. . . . The lack of any comprehensive industrial or economic policy on the part of the Government or the employers must therefore be regarded as one of the principal factors in the present labor unrest.

While specific remedies, some of which coincided with the proposals of the Joint Committee, were suggested for particular difficulties the memorandum held that the real cause of unrest was the conviction of the working class that production for private profit must be largely superseded by public ownership and democratic control of industry. The latter demand, it was asserted, the Whitley Scheme had done little or nothing to satisfy.

#### § 4. REPORT ACCEPTED BY NATIONAL INDUSTRIAL CONFERENCE

At the renewed session<sup>1</sup> of the Conference on April 4th, after full joint and separate discussion of the committee's proposals by the two sections of the Conference, Mr. Arthur Henderson's motion was carried, that the report be submitted for acceptance to the various constituent organizations as soon as the Government had officially declared its readiness to carry its recommendations into effect.

In the absence of the Prime Minister, the Minister of Labour did not commit the Government to all details of the report, but said he believed its principles would be approved. He pointed out that the proposals regarding industrial negotiations, allocation of government contracts, development of industries, housing construction, Trade Boards, the revision of old age pensions, and the continuation of the Wages (Temporary Regulation) Act were already being carried out by the Government.

#### § 5. MEETING OF THE JOINT COMMITTEE MAY 1ST

On May 1st, at a meeting of the Provisional Joint Committee the intentions of the Government were further defined by a letter from the Prime Minister, which was read by the Minister of Labour, part of which was as follows:

<sup>1</sup> Great Britain. *Labour Gazette*, April, 1919, pp. 124-25.

Though I cannot commit myself to every detail, as many of them are complex and technical, I may say at once that I fully accept in principle your recommendations as to the fixing of maximum hours and minimum rates of wages. As regards hours, a bill is now being drafted to give effect to your recommendations, and will, I hope, be introduced at a very early date. I think you will find that it fully carries out the principles set forth in your report, though, as you have recognized, elasticity must be provided in order to meet the special circumstances of particular industries.

There are certain industries, such as agriculture, in which seasonal and other conditions necessitate special consideration; and some cases, such as those of seamen and domestic servants, in which it would be impossible to enforce a week of forty-eight hours; but I agree that the act should otherwise apply to all industries in which a legal limitation of hours is practicable, and that, where exceptions are necessary, they should be applied for by those concerned through the machinery which you have suggested in your report.

As regards wages, I accept the principle that minimum rates of wages should in all industries be made applicable by law. The question of the best method of doing this, however, is complex and full of difficulties, and I do not think that it would be possible to frame legislation until a scheme for carrying out the principle of minimum rates has been fully worked out. I therefore gladly accept your suggestion that the Government should, in the first place, set up a Commission with wide terms of reference to report on the whole matter. As regards the extension of the Wages (Temporary Regulation) Act, a bill has been prepared for this purpose and has been introduced.

In regard to unemployment, I understand that your committee was unable to make any definite recommendation as to how the present provision against unemployment should be extended, though they were unanimous in thinking extension necessary. In view of the short time at your disposal, I do not think that the committee could be blamed for this, but the question of unemployment is one of the most urgent and important of the problems confronting us, and until it is satisfactorily solved I do not feel that we shall have really effected one of the most vital improvements in our social conditions. I therefore hope that this is the first question to which the National Industrial Council will address itself.

I cordially welcome your proposal to set up a National Council, and hope that you will take steps to bring it into being as quickly as possible, as I am sure that it will be of great value in assisting the Government to improve industrial conditions.

As further action was now dependent upon the legislative enactment of recommendations of the Joint Committee, it was resolved to adjourn until such time as decided upon by the chairman. In the mean time, the various constituent bodies would consider the reply of the Government and their attitude thereon.

## § 6. CRITICISM OF GOVERNMENT PROCRASTINATION BY NATIONAL ALLIANCE

Just as the National Alliance of Employers and Employed had deprecated the Government's reluctance to call a joint conference, it now condemned the delay in putting the recommendations into effect. In an editorial in *Unity*<sup>1</sup> it was pointed out that the report

was signed unanimously by the most representative body of trade unionists and employers ever brought together. . . . It was an instance typically British, of the sane, careful majority, that is usually passive and indifferent, rousing itself for an effort of social reconstruction. The disruptive elements in society on both sides hate this movement. The persons who make up these elements are hoping against hope that the recommendations will not be embodied in legislative proposals.

The Government was accused of pursuing a very dangerous hand-to-mouth policy and the lack of definite assurance of immediate action in Mr. Lloyd George's letter was condemned. Vague suggestions, hopes, and sympathy without action were risking the stability of society. Only legislation embodying the recommendations of the National Industrial Conference could, in the opinion of the National Alliance, avert the danger of further unrest and set the industrial machinery running. Further delay would justify the accusations of radical groups and convince organized labor that only drastic disturbances could secure reforms.

The dissatisfaction felt among employers with Government handling of industrial matters was reflected in the reply<sup>2</sup> of one of the largest employers of labor, himself resolutely set against any other than an autocratic solution of industrial administration. When asked which of the two alternatives, state government or joint-committee

<sup>1</sup> *Unity*, June, July, 1919, p. 1.

<sup>2</sup> *The Organizer*, April, 1919, p. 385.



government of industry in its full sense, he would prefer if he were forced to a choice, he declared unhesitatingly in favor of the latter, as immeasurably less likely to result in stagnation and congestion. In the same number of *The Organizer* which reports this view it is stated as the opinion of many present at the National Industrial Conference that it was a

not very hopeful or necessary experiment, too vague in its terms of reference, too haphazard and incomplete in its constitution, and rather open to the charge of being a political device to gain time.

Another view<sup>1</sup> of the plan for a permanent National Industrial Conference was taken by Mr. E. J. P. Benn, who had been a warm advocate of the Whitley Councils. He claimed that the establishment of an industrial parliament on a basis of direct representation would be a Government breach of faith with the Whitley Councils, since it had been promised that they would be regarded as the normal channels of communication between their industries and the Government. It was his belief that the Government was by this means making a furtive attack on the Whitley Councils, which it wished to obstruct because they "do not provide jobs for officials." If there was to be a National Industrial Conference, the delegates should be drawn from the joint industrial councils.

On the other hand, an article in the June *Fortnightly Review*<sup>2</sup> claimed that the National Conference will give a new sanction to the Whitley Report and quicken the establishment of joint industrial councils. The writer said that while the Conference was characterized by plain speaking on both sides, it was evident that both employers and workpeople would welcome machinery which would bring them to a clearer understanding.

It is not too much to say that the resumed Conference, which met on April 4th, proved that the necessary kind of machinery had been devised.

The achievement of the Conference proved, in his opinion, that

<sup>1</sup> *Ways and Means*, April 5, 1919, pp. 144-45.

<sup>2</sup> Glendenning, James: "The Whitley Councils." *Fortnightly Review*, June, 1919, pp. 958-64.

the vast body of employers and workpeople are sincerely anxious to clear away avoidable misunderstanding and to base industry now, and in the future, upon a solid foundation of good will and co-operation.

## § 7. CONCLUSION

It will be seen from this survey that the National Industrial Conference was a "last act" by the British Government to avert an industrial crisis. There was a growing volume of voices demanding the Government to "do something," for the threats of the belligerent Triple Alliance seemed likely, if carried out, to tie up all industry. The "something" done by the Government was this get-together meeting where complainants had a free chance to speak their minds. What permanent results will issue from it cannot now be surmised. It is clear, however, that for a brief breathing space the Government averted a crisis; the Industrial Conference held the center of the stage for a time, fulfilled the demand for doing something. Then a new activity diverted public attention to the Miners' Federation and the Coal Commission. Such widespread publicity for the demands of organized labor has at least one beneficent effect, so far as the Government is concerned: it enables popular opinion to form itself sufficiently for the officials to chart their course. The real solution of the industrial problems, however, remains as before with the workmen and employers.

## CHAPTER XVIII

### POLITICAL INFLUENCES IN FRENCH LABOR MOVEMENT

#### § 1. THE GENERAL SITUATION

The labor situation in France is distinctly different from that in Great Britain. One distinction lies in the amount of the labor supply; Great Britain has a surplus of labor, France a deficiency. This fact modifies the entire industrial aspect. For example, there is not found in France the opposition on the part of the workmen to the introduction of labor-saving machinery or to dilution, especially the introduction of women workers, as in England. In addition, there is a sympathetic attitude toward scientific management among French workmen, and, in contrast with Great Britain, the fundamental working principles of organized labor in France show a decidedly more open spirit of co-operation. The Program of the General Federation of Labor (*Confédération Générale du Travail*), the most powerful labor organization in France, as announced by its Secretary, M. Léon Jouhaux, reads:

“The formula for the working class should be — a maximum production in the minimum working time for a maximum of wages.

“For the employer — a maximum development of shop equipment to produce a maximum output with a minimum expense of production.”<sup>1</sup>

The difference in temperament between French and British workmen is also significant. The French can be more quickly and greatly influenced by ideas than the British, who demand facts. The idea that France must be defended, even though Germany was stronger and better prepared, explains why she rose to the occasion so marvelously in the late war. There is, therefore, the possibility that in time of unrest an idea might be used by unscrupulous leaders to arouse the French working classes to a sudden frenzy. As one manufacturer said to the Commission,

<sup>1</sup> *Les Travailleurs devant La Paix*, “Un Programme.”

“The French mind is governed by ideas, not by facts. There is no danger in our labor situation while men are at work. It is the idle man who is dangerous. Normally, about 10 per cent of our workers in the automobile industries are in the unions, but in time of strike this may run up to 100 per cent.”

In France industry has not reached the point of concentration or intensity found in Great Britain. There are few factories throughout the country, probably less than 10 per cent, that have more than 50 workmen, so that direct, personal relations between employers and employees are readily maintained. In the northeast section there was, prior to the war, a concentration comparable to the British situation, and the Metal Trades' Union shows many similarities to British unions; it is among the most radical. In the same category is the miners' and textile workers' syndicates. It is significant in this connection also to know that 70 per cent of the army was made up of agriculturists. French industry, too, differs from British in its character. Large scale production on standard patterns is not a characteristic of French manufactures. Things made in France have individuality, distinction, a touch of art, an element of style, that gives play to the workman's love for aesthetic qualities even in everyday useful articles. French foreign trade has always had a large element of style in it; *articles de Paris*, or *articles de luxe*, have been one of the most important items. Such trade is most sensitive to all financial and industrial disturbances, so that an element of instability permeates French industry. This is bound to be reflected in the labor situation.

It is well to keep in mind, also, the fact that land in France does not run to large but to small holdings. The agricultural syndicates, therefore, have in them a strong influence of proprietary responsibility. In general, the French people are “a race of property and bondholders,” and such radical ideas as Bolshevism and advanced socialism find a strong obstacle in this fact. Said one French manufacturer to the Commission:

“Socialism is not popular with the great majority of the French workpeople. A large proportion of the peasants own land, and many of the workers in the cities have property.”

France is generally considered the hotbed of radical political ideas. “Revolution,” it has been said with

shrewd sarcasm, "is the Frenchman's luxury." The effects of the French Revolution certainly persist, and since the Waldeck-Rousseau Ministry of 1899, the French Government has been distinctly radical.<sup>1</sup> It is a favorite saying in labor circles that as the French Revolution brought political freedom and equality, so the industrial revolution to be achieved by organized labor will bring industrial freedom and equality. Political tradition is a potent factor in the present labor situation.

The disastrous effects of the war have accentuated French industrial problems. It has been calculated by French employers that 2,000,000 workers were killed or maimed by the war, a loss of at least 9 per cent of effective labor, that French workers had lost one and a half times more than Germany, two and a half times more than Belgium, five times more than England and Italy, fifty-six times more than the United States, that there was certain to be a frightful reduction in the birth rate for years to come, and that these things coupled with a shortening of the workday from 10 to 8 hours, would cause a decrease in production of French industries of \$2,400,000,000 or 30 per cent.<sup>2</sup> The real difficulty in France today, however, is to find the credit with which to obtain coal, materials, and, in the devastated area, machinery to enable factories to employ labor, turn out goods, begin to export, and help to improve the foreign exchange and the value of the franc. The burden of debt is very heavy. Hitherto indirect taxes have been relied upon, but today the country is faced with the necessity of a resort to direct taxes, especially on incomes, to which there will be bitter opposition by peasants as well as by the middle and richer classes.

In short, the vital question for France today, industrially, commercially, financially, is credit. Unless taxes that produce results are imposed there can be no proof to her creditors that France can carry the interest on her debt, together with the other burdens of the war and her normal budget. Until this proof is given, little credit is likely to be forthcoming. But drastic taxation laws would most likely be so unpopular that any Ministry proposing them would be driven from office. In such situation business is largely at a standstill, and, it must

<sup>1</sup> Levasseur: *The Annals, Labor and Wages.*

<sup>2</sup> *La Question de la journée de huit heures.*



be added, there seems to have been on the part of governmental authority an impractical opposition to imports, a policy which prevents any considerable employment of labor. But M. Loucheur, the official responsible for this policy, has failed to secure a vote of confidence and must go, and the restrictions are being relaxed. France must, as often before, rely on the thrift and persistent industry of her people.

The entire French industrial situation must be interpreted in the light of the soul-stirring unrest created by the war. The inevitable nervous reaction from the four and a half years of struggle, the incalculable losses in property, in life, in human energy, the disruption of normal trade, the mobilization of men and industry for war, the extension of governmental control are all parts of the problem. On the background of this general situation it is now proposed to throw the details of the labor problem in France.

## § 2. ORGANIZATIONS OF EMPLOYERS AND EMPLOYEES

As in all industrial countries, so in France there are the two overlapping organizations among workingmen. One is the organization along some kind of trade or industrial lines; the other on a political basis. The former is called in French the *syndicat*, which "is a union of workingmen, on a trade or on an industrial basis, for the defense of economic interests."<sup>1</sup> That is, a syndicat is equivalent to the English trade union, and the abstract principle for which it stands, called in French *syndicalism*, is equivalent to the English unionism. Although the words *syndicat* and *syndicalism* have taken on the peculiar flavor characteristic of French temperament and philosophy, they will be used as synonymous with the English words Unions and Unionism throughout this discussion. The other type of organization is the Socialist Party, political in character and in aims.

Of the labor organizations on a trade or industrial basis, the foremost and the dominating one is the General Confederation of Labor (*Confédération Générale du Travail*), commonly spoken of for the sake of brevity as the C. G. T. It is a national organization made up of "National Federations of industries and trades, of National Syndicats,

<sup>1</sup> Levine, L.: "Syndicalism in France. Studies in History, Economics, and Public Law," Vol. XLVI, 1911-1912, p. 5.

of isolated syndicats (in that case only if there is no national or regional federation of the trade, or if the federation does not adhere to the Confederation), and of *Bourses de Travail* (Labor Exchanges), considered as local, departmental, or regional central unions."<sup>1</sup>

This dominating Confederation divides into two parts; one the Labor Exchanges (*Bourses de Travail*), the other the Confederal Committee. The exchanges are really labor community centers in essence; they are centers for talk, for employment work, for public meetings, for making announcements, for propaganda service, etc. The first one was established in Paris, 1884, and from that time on began to displace the Government labor exchanges. In 1914 there were 144 exchanges, with 486,404 "adhering effective syndicats."<sup>2</sup> From their functions it may be seen that they correspond in a broad way to the New England town meetings. They have always proved to be the source of radical activities of organized labor.

The Confederal Committee is formed by delegates of "adhering organizations," that is, members of the C. G. T. There is one delegate for each organization, although a single delegate is permitted to combine in himself the power to speak for at most three organizations. This is, then, the national representative of the labor unions of France. It meets regularly, and extra meetings may be called by the secretary. It deals with national questions or those of interest to different syndicats beyond the scope of the exchanges. It has connections with the international federation of trade unions. At present, it claims about 600,000 members. Admittedly, it speaks for French organized labor. The most prominent members in the C. G. T. today are MM. Albert Thomas and Léon Jouhaux.<sup>3</sup>

Political organizations to represent the Socialists of France have had a checkered career. Time and again political differences have broken the ranks, and the "left wing" has started a rival party. Almost always, too, the revolt has followed the strong leadership of some individual, and so there have been Guesdists, the Brous-

<sup>1</sup> Levine: "Syndicalism in France," p. 162.

<sup>2</sup> *Annuaire Statistique*, 1914-1915, p. 136.

<sup>3</sup> For a full treatment of these organizations, see Levine: "Syndicalism in France," Chapters II-VII. Cf. also "Labor Organizations," Chapter IV.

sists, the Marxists, the Allemanists, the Blanquists, or the theories of some "school," and so has developed numerous "isms." Successful politicians have risen from the socialist ranks, also, such as Millerand, Jaurés, and Viviani. Like all socialist movements, the French has appealed especially to two classes, the "intellectuals" and the workingmen. Without following through in detail their growth, it may be said that since 1899 the Socialist Party has been a strong one in France, even though its achievements have not been great; that there are today two socialist political groups, the United Socialists and the Independent Socialists; that together they have 132 deputies in the French Chamber out of 602; and that they have had as premiers such men as Millerand and Viviani. They are distinctly to be reckoned with.

The Socialist Party and the syndicates in France, as elsewhere, certainly have the same tap root which runs deep into industrial problems. It has not been possible, however, for them either to unite or to work in harmony together. The Socialist group was split off from the C. G. T. on the basis of methods; it was the old division between industrial or direct action and political action, with a characteristically French slant to it. The split was begun at the Congress of Marseilles, 1879, and completed at Havre, 1880.

"The Socialists called upon the workingmen to participate in the parliamentary life of the Community. Political abstention, they asserted, is neither helpful nor possible."<sup>1</sup>

The one party, the parliamentary socialists, or Collectivists, while agreeing with the other party, the Communist-Anarchists, that all means of production should be appropriated, believed that the emancipation of the workmen could be secured through a socialized state. The Communist-Anarchists, on the other hand, held that "the first act in the Social Revolution, in their opinion, had to be the destruction of the state."<sup>2</sup> One writer has said that parliamentary action is

"a pell-mell of compromise, of corruption, of charlatanism, and of absurdities, which does no constructive work, while it destroys character and kills the revolutionary spirit by holding the masses under a fatal illusion."<sup>3</sup>

<sup>1</sup> Levine: "Syndicalism in France," p. 55.

<sup>2</sup> *Ibid.*, p. 54.

<sup>3</sup> "Pourquoi Guesde n'est-il pas Anarchiste," p. 6.

The split upon this issue has been permanent. Nevertheless, there is here, too, an overlapping. In the C. G. T. are those who believe in political action but more in the labor syndicat. The reverse may be said of the Socialist Party as regards the destruction of the state. The line of demarcation must not be too sharply drawn.

The French social thinking has been deeply affected by the influence of Marx. The radical impulses of 1848 are still probably more active in France than anywhere else. An international idealistic appeal was sure to catch the interest of the French mind, and so, as early as 1891, after the Brussels Congress, there was established an International Secretariat to unite the French labor movement with the world-wide labor movement. While this particular organization was never strong and disappeared in 1896, connection with the international labor movement has been kept up by the C. G. T. as well as by the Socialists.

Such associations as the employers of France have, are formed either on an industry as the basis or on the basis of a political region such as a "department." There seems to be no national organization of producers. Your Commission talked with representatives of the Automobile Association of France, who told us that most employers and most employees were apathetic toward labor problems, but that the employers were beginning to get together. It is well to note, however, that some at least of the functions of employers' associations are being performed by the Chambers of Commerce, of which there are 155 in France.

"The purpose of the Chambers of Commerce is to advise the Government, and to give information on all industrial, commercial, agricultural, and transportation matters, especially with a view to promoting the prosperity of the locality which they represent, and to undertake the execution of certain public works and the administration or superintendence of public services which vary according to circumstances. Accordingly, they operate trade schools and museums, give public lectures, etc. The Government invariably seeks the advice of the Chambers of Commerce on all matters affecting the productive and distributive interests of the section, such as Commercial Exchanges, joint boards of employers and employees for the purpose of adjusting difficulties between employers and labor, known as *conseils des prud'hommes*

(committees of wise men), and also on matters regarding certain taxes, public works, etc., and on tariff and customs questions."<sup>1</sup>

Here, then, in the committees of "wise men" is the machinery for getting the employer and his workmen together. It is under governmental control, with the Chambers of Commerce as advisers. Taken in connection with the smallness of the general run of industries, the proper spirit of co-operation on the part of employers and workmen will readily correct defects and make these councils or some modification of them effective.

### § 3. FRENCH LABOR IN THE WAR

Organized labor in France, prior to 1914, had long held strong anti-militaristic opinions. It had objected to the legislation for compulsory military training and had opposed its enforcement when passed.

"The brilliant leader Jaurés openly advocated the abolition of the army and the creation of a national militia. Some anti-militarists, like Hervé, carried their theories beyond all bounds and rhetorically talked of dragging the national flag in the mire."<sup>2</sup>

The years from 1907 on were filled with the troubles due to the strained and unsatisfactory relations between France and Germany and with internal political, religious, and labor difficulties. It was not until after the Agadir affair (1910) that the French people saw the irrepressible conflict with Germany and rallied to the support of the army. Even then the C. G. T. fomented trouble by propaganda among the soldiers in training and in one or two cases succeeded in stirring up a revolt against the extended time of compulsory service. At the Congress of Marseilles, September, 1908, a resolution was passed which embodied the following:

"That whereas, consequently, every war is but an outrage against the workingmen; that it is a bloody and terrible means of diverting them from their demands, the Congress declares it necessary, from the international point of view, to enlighten the workingmen, in order that in case of war they may reply to the declaration of war by a declaration of a revolutionary general strike."<sup>3</sup>

<sup>1</sup> "Franco-American Trade," p. 97.

<sup>2</sup> Wright: "The Third French Republic," Houghton, Mifflin, 1916, p. 166.

<sup>3</sup> "XVI Congrès National Corporatif," p. 213.



There was a distinct movement by the C. G. T. to put aside anti-militaristic propaganda in 1913. Such leaders as Jouhaux and Merrheim were weary of these agitations that constantly disrupted the ranks of organized labor. They wanted to return to matters purely industrial upon which the majority could agree. Nevertheless, the C. G. T. stood on record against any declaration of war. This was the situation as the war cloud lowered in the summer of 1914. And when Austria's ultimatum was sent to Serbia, and Germany rallied to the aid of her ally, a delegation of German workmen was hastily summoned to Paris for consultation with French organized labor leaders. No agreement could be reached, and the delegation hurried back home. Then came the invasion of Belgium, the call of the Government for the French people to defend their country. Organized labor responded with a spirit that thrilled the world.<sup>1</sup>

There was no inconsistency in the French mind between profession and action. It is a characteristic of French intellect to demand a logical sequence. War was a no less "monstrous thing" (*la chose monstrueuse*) than before, but this war aimed a blow at the foundations of freedom and justice, for which organized labor stood. And French laborers rallied to the work of war on the battle line and in the shop with a cry on their lips which showed how they reconciled the previous anti-war professions with their present actions: "*Guerre à la guerre!*" (War against war.) This may have been in part the emotional-intellectual appeal of ideas to the French mind, but it is also a steadfast expression of purpose and is in absolute accord with their subsequent actions. In fact, the labor situation in France today has largely grown out of this attitude.

Like labor organizations elsewhere, French workingmen suffered much and yielded much during the war. They obeyed the call to shoulder arms and left workshop and farm. They returned at call to apply their skill in supplying munitions of war. They submitted to being moved to new districts where new factories sprang up. They endured being huddled together, occupying temporized beds in relays, being separated from their families, being forced to live and to work in insanitary conditions, having the working-day lengthened, — they submitted

<sup>1</sup> Cf. *La Bataille*, 1914.

even though protestingly.<sup>1</sup> One of their leaders, M. Albert Thomas, became Minister of Munitions. In the early period of the war strikes almost ceased. As the cost of living pressed more and more heavily on them, the workers did resort to this old weapon for increasing wages.<sup>2</sup> The strike curve in France only shows the same trend as in every other warring country. On the whole, French organized labor upheld the war.

When the armistice came, labor organizations began to function more actively. M. Léon Jouhaux, Secretary of the C. G. T., published his pamphlet, "Les Travailleurs devant La Paix," in which he states a program for labor to follow. This will be discussed later in detail. The high cost of living increased; unemployment increased; demobilization was delayed; wages seemed inadequate. The unprecedented reception of the American President, whose fourteen points they endorsed, who was acclaimed by French workingmen to be their spokesman, was followed by reaction at unattained results. A threatened railway strike in January was suppressed by the Government; an actual strike by the miners succeeded in shortening their day and increasing their wages; an impending strike of the postal unions was averted by being converted into a "silent strike" for the brief space of one hour. Here and there local strikes occurred. But these do not demonstrate clearly the seething unrest among the masses of people.

After the passage of the Eight-Hour Act, on April 18th, agreements to bring it into operation had been made and published, and then a violent spasm of strikes broke out. They began with a strike of employees in the banks and Exchange, then spread to food, clothing, metal, building trades, and to the mines. In the metal trades it was estimated that 150,000 workers were out. Threats of other strikes came thick and fast, from the plumbers, lithographers, nickel polishers, butchers, makers of flowers and feathers, dramatic artists, picture-show artists, carriage repairers, gas-lighters. The burden of the demand was the eight-hour day, and a close second was increase of wages. The apparently cheerful optimism of many employers whom the Commission interviewed did not seem to be justified by later events.<sup>3</sup>

<sup>1</sup> Cf. Léon Jouhaux: "La Bataille, Les Travailleurs dans la Guerre."

<sup>2</sup> Cf. Roger Picard: "Les Grèves et La Guerre, Enquêtes Soumises au Comité National d'Etudes Sociales et Politiques," 1917.

<sup>3</sup> See copies of *L'Information* and *La Democratie Nouvelle* for period.

Apparently something had held the radical elements in organized labor in check hitherto. They were probably restrained by the hope and faith in the Peace Conference. As has been pointed out, only credit and a wise, speedy financial policy can save the situation from disaster.

#### § 4. METHODS OF ORGANIZED LABOR IN FRANCE

Political leaders in France have proved disappointing to organized labor, one and all. When raised to power they seemed to assume an attitude of compromise with the capitalist government. As a matter of fact, it is true that Millerand, Briand, and Viviani sought compromise. But the syndicalists have had a more deeply seated reason for refusing to follow political leaders. The only way to hold labor together for unified action was in their opinion to play up the clash of class interests.

A harmony between the *bourgeoisie* and the proletariat, such as Waldeck-Rousseau sought, would be disastrous to syndicalism. The preaching of an uncompromising class struggle and the disappointment in the actual accomplishment of radicals in power have discredited political leaders with syndicalists.

It may be observed that even while the French Government has come more and more under the influence of radical socialists, syndicalism has trended definitely away. That is, while the Government was becoming socialistic, the workers were becoming revolutionary. "At the Congress of Lyons, 1901, the C. G. T. may be said to have entered definitely upon the revolutionary pact."<sup>1</sup> In 1906 the breach between the C. G. T. and the socialists was attempted to be closed with some hope for success, but not for long. With the election of M. Léon Jouhaux as Secretary of the C. G. T., in 1909, the triumph of revolutionary syndicalism was once more secured.<sup>2</sup>

Some leaders have come forward who were not seeking political preferment, such men are MM. Léon Jouhaux and Albert Thomas. To be sure, they hold varying shades of radicalism and have not always been able to agree on the course of action on each occasion, but in the main they have really led the syndicalist movement. Broadly,

<sup>1</sup> Levine, "Syndicalism in France," p. 122.

<sup>2</sup> Some kind of a common working basis between the C. G. T. and the Socialist Party was again secured at a joint meeting, July, 1919.

they have held that it is necessary to overthrow the political state and substitute an industrial state. Patriotic sentiments, according to their doctrine, mean nothing. "The workingman's country is where he finds work." As the resolution passed at Marseilles, 1908, has it: "The Congress repeats the formula of the International: 'The workingmen have no fatherland.'"

Just what the new state is to be, the common workingman has probably only vague ideas. In the apt French phrasing it has been called the "unnamed state." Something definite has, however, been described by the leaders. It is to grow out of the existing syndical organizations and to become a system of "economic federation." "According to the idea of economic federalism, the syndicat will constitute the cell of society."<sup>1</sup> Apparently, too, the Labor Exchanges would take care of local and district problems, while the C. G. T. would look after the more general ones. Railroads, for example, would become a problem for the C. G. T., and likewise, presumably, telegraphs, telephones, and postal service.

Laborers were first organized in France to secure their aims without a strike<sup>2</sup> but experience taught them early the effectiveness of the strike weapon. The success of the widespread strikes in the United States, 1866-67, and of their own strikes in 1869 had great effect. Labor delegates presented to the Minister of Agriculture, Commerce, and Public Works in 1868 a memorandum in which it is stated

"We are all agreed to proceed by way of conciliation. . . .

It is thus to avoid strikes, guaranteeing at the same time the wages of workingmen, etc."<sup>3</sup>

The idea of the general strike found adoption in the C. G. T. Congress of Tours, 1896, and has continued as part of its program. Theorizing there had been, in unceasing flow. Frenchmen may be bored with politics, as some have claimed, but they enjoy discussion, theorizing, analyzing, building up an imaginative world. There is another side, however, a clear-cut realism which displayed itself emphatically in the Paris Peace Conference. When it comes to action the plan must be a practical one, taking frankly into account all the selfish weaknesses of human nature. This is doubtless one powerful cause for the trend away from political action toward industrial action.

<sup>1</sup> Levine, p. 134.

<sup>2</sup> Lagardelle, "Evolution des Syndicalistes," pp. 218-19.

<sup>3</sup> Quoted, Levine, p. 37.

As has been pointed out above, the election of Jouhaux, 1909, as Secretary of the C. G. T., secured the triumph of revolutionary syndicalism. In stating one phase of his doctrine, he said:

“It is necessary that the Proletariat should know that between parliamentary Socialism, which is tending more and more toward a simple democratization of existing social form, and Syndicalism, which pursues the aim of a complete social reformation, there is not only a divergence of methods, but, particularly, divergence of aims.”<sup>1</sup>

The divergent methods to secure the divergent aims, endorsed by the C. G. T., are strikes, the label, boycotts, and *sabotage*.

There is one very practical fact that made industrial action of a sudden, overwhelming, effective sort especially appeal to French workingmen. This is the poverty of the syndicates. The dues are very low and poorly paid in. There is reiterated complaint from syndicate officials that the funds are not sufficient to carry on the work. It was never possible to accumulate large reserve funds. A strike situation, such as occurred among the Yorkshire miners in England, where “the strike committee has already disbursed £250,000 in benefits,”<sup>2</sup> would be incredible in France. French workmen cannot afford prolonged idleness; they must, therefore, resort to swift, immediately effective action, or to persistent nagging methods while work goes on. The latter is *sabotage*; the former is the general strike. Both are industrial action.

The general strike has gained wide acceptance among French workers. The first vote on it as a method was taken by the Syndicates at Bordeaux, 1888. It was then conceived of as being “a peaceful cessation of work,” or a “peaceful strike with folded arms.” The labor leaders at least pretend to believe that almost in the twinkling of an eye industry will be transformed if the general strike is effectively used. Up to the present, something has always gone wrong with the plans.

In actual practice it has been found that the general strike, even when not involving all industry, can be used with considerable effect to secure political aims of less consequence than the total annihilation of the state. It has been used as a political weapon. Take, as an example,

<sup>1</sup> Quoted by Levine, p. 200.

<sup>2</sup> *Industrial News Survey*, Vol. III, No. 24, p. 5.



the Labor Day (May 1, 1919) demonstration, when the order went out from C. G. T. headquarters that all economic activity involving labor must cease for the day in order to show the supreme importance of workers to such activity. It is to be remembered that while only about 20 per cent of French labor is organized, and probably not more than 600,000 organized workers out of a possible 1,100,000 adhere to the C. G. T., the general strike policy involves other than peaceful methods toward unorganized workers if they refuse to comply with orders. Or take the vote for a general strike of June 12, 1919, as a protest against the delay in signing peace terms, the high cost of living, the threat of taxes, the intervention in the Russian and Hungarian revolution, and the delay in demobilization.

It seems clear, therefore, that while the syndicalists have rejected the political methods of the socialists, and while, intellectually, they reject any compromise with the state, they, as a practical fact, are willing to have one of their leaders in the Ministry, and do use their industrial methods to secure political aims. The syndicalists may be said to employ politico-industrial methods.

#### § 5. ATTITUDE OF GOVERNMENT TO SYNDICATS

When syndicats first began to be formed there were strict laws prohibiting them. Only in 1868 did the Ministry declare that, without changing the law, it would tolerate labor organizations. In 1871 the right to strike was recognized. The syndicats were thenceforward free to pursue their development. From time to time, however, as in the railway strikes of 1910, the Government has called the strikers to the colors, thus putting them under military discipline. This was done in the railway strike of last January, although the temper of the workers was such that its efficacy was for a time in doubt. In general, during the war, French industry was strictly under military control, which was necessarily opposed in principle to syndicalism. The Government has not, on the whole, been hostile to the syndicats, but rather conciliatory and placating.

It has already been pointed out that since the Waldeck-Rousseau Ministry (1899) the French Government has been predominantly radical. The Socialists have had their own representation in the Chamber of Deputies, as the following table will show:

## MEMBERS IN CHAMBER OF DEPUTIES (602)

Year	United Socialists	Independent Socialists	Total
1893 . . . . .	40	.....	40
1906 . . . . .	54	20	74
1910 . . . . .	76	32	108
1914 . . . . .	102	30	132

They have had their prime ministers, such as Millerand and Viviani, and their members of the Cabinet. One effect of Socialist politicians has been a placating policy on the part of the Government toward labor, and Socialist affiliations have been no great barrier to political success.

A considerable body of legislation friendly to labor has been passed in France. A few examples will be noted: the right to strike, 1871; a ten-hour day law, March 30, 1900; old age pension law, 1909, since modified as the result of labor complaints; conciliation and arbitration law, 1917; eight-hour day law, 1919. The results of the Commission's inquiries seem to show that the conciliation and arbitration law is neither widely known nor effectively applied. The eight-hour day law was secured during the Peace Conference through considerable political pressure and with the most reluctant consent of the employers, whose objections are given below.<sup>1</sup> The political pressure is discussed more in detail in a later section.<sup>2</sup>

<sup>1</sup> *Position taken by Employer Members of a committee including employer and labor leaders, appointed by the Minister of Labor to investigate eight-hour day.*

The employer members of the International Commission of Labor Agreements representing the various branches of French Industry consider a résumé of their viewpoint expedient at this stage of the Commission's investigations.

Consulted by the Minister of Labor as to whether the principle of the eight-hour day should be included in the Peace Treaty, the employers declared that, in their opinion, such a principle should not be inserted in the Treaty.

The employers have proven by official statistics that:

1. Before the war the total national production was valued at about 40 thousand million francs.

2. The death or incapacitation of almost two million Frenchmen in their prime has diminished the number of industrial, commercial, and agricultural producers about 9 per cent.

3. In this loss of manual labor France is affected:

1½ times more than Germany,	5 times more than Italy,
2 " " " " Belgium,	56 " " " the United States.
5 " " " " England,	

4. The shocking lowering of the birth rate in France, which will be felt until 1950; the 20 per cent reduction of the working-day owing to the substitution of the ten-hour by the eight-hour day. This will result practically in a 30 per cent reduction of the productive capacity of France, which will bring about a deduction of 11 or 12 thousand million francs from the 40 thousand million cited above. Only a negligible part of this loss could be retrieved by an increase in production.

<sup>2</sup> Cf. "International Political Labor Movement," Chap. XX, p. 308.

After this specific statement of the stand taken by employers the general economic conditions of France are briefly discussed. Owing to the serious situation the manufacturers feel that a general and simultaneous reduction of working hours in the various branches of industry would have a "disastrous effect" on national production. They believe that were they not to state this opinion frankly they would be "breaking faith with their professional and civic obligation."

They point out that the eight-hour day would cause agricultural labor to immigrate into the cities. Particularly as about 55 per cent of the men lost in the war were agricultural laborers, this effect of the eight-hour day would be serious. Furthermore, the employers emphasize that even a further development of machinery will not counteract the loss of labor resulting from the eight-hour day, particularly as in the main industries of France even highly specialized machinery cannot replace labor.

If this eight-hour day clause is included in the Peace Treaty, the employers suggest that their Government receive for France special privileges along this line.

As the representatives of labor have stated that the eight-hour day will not decrease production, the employers are ready to investigate measures to bring this about. Such an investigation should include the consideration of the following points:

1. General regulations covering hours of work: limitations by day, week, year, etc.
2. Extensions and agreements which may be provided either for industry as a whole; for certain industries; for certain regions, particularly the invaded ones; extensions and agreements should maintain or restore the minimum local or regional production.
3. Permanent derogations to be instituted for certain industries the execution of which would not fit into the general regulations.
4. Temporary derogations to be instituted for the industries as a whole, in case of unusual increase of work, national necessity or accidents.

## § 6. RELATION BETWEEN EMPLOYER AND EMPLOYEE

We come now to the real point at issue; what is the relation between the French employer and his workmen? The Commission secured evidence on the question from both sides, and can sum up its findings as follows:

(1) There seemed to prevail a general spirit of optimism or even nonchalance as regards the labor situation,

and particularly on the part of employers. The labor problem did not appear to them to be the most pressing one they had to face. Said one employer:

“With plenty of work, there is no serious labor problem in France.”

Said another:

“There is no cause for worry about the labor situation in France; the only serious trouble is financial.”

They seem to feel, too, a confident strength in their position and to believe that, if reconstruction work begins soon and unemployment disappears, they can handle any such problems as may arise. It is the idle French worker who is dangerous, not the radical leader or the syndicat. And on the labor side, a similar optimistic assurance was expressed by a prominent leader:

“Until recently, tradition has governed both masters and men and they have insisted on continuing to work as they always have done before. Now both are ready to advance.”

(2) The French employers do not seem to feel that theirs is a unionized labor problem so much as a general social problem. It was agreed that syndicalism was spreading rapidly among French labor at the present time, but there was, nevertheless, no apprehension directly from this fact.

“Labor Unions are not strong, except in the large concerns, and there are not many large concerns in France. 90 per cent of the shops employ not more than fifty men each. In these small shops there are no labor troubles.”

Or, again:

“French labor can easily be controlled with a firm hand.”

“The employers in the Lyons district are working in close co-operation. They are also getting along very well with the better class of labor leaders.”

(3) There was no evidence of collective bargaining between French employer and employee. The working contract runs on the basis of an individual contract in France. An employer from a large plant said that his company made individual written contracts with the men. He gave the Commission some copies of the regular form of contract:

"There was," he said, "no serious objection to these individual contracts by the labor unions. The workmen favor them strongly. The Frenchman likes to feel that he is making his own agreements, and likes to see his name signed to an agreement. Any difficulties that arise out of these agreements are settled by the Conseils des Prud'hommes."

M. André Citroën said to the Commission in regard to his own shop and to the situation in general:

"There is no collective bargaining in this shop, and this [collective bargaining] is not a general practice in France."

(4) There does not seem to be the attitude of French labor, as is true of British, to restrict output. One manufacturer after another told the Commission that such a disposition was not now to be found among their workmen. It has been noted that France is different from Great Britain in being a country with a deficiency and not with a surplus of labor. This may be one reason for labor's attitude. The result is that the syndicates look with approval upon the introduction of labor-saving devices, of women workers, and scientific management schemes. Even while demanding an eight-hour day, the labor leaders tell the workmen that production must be kept up and increased.<sup>1</sup> The program of the C. G. T. as announced by Léon Jouhaux has been cited. Some employers feel confident the new and more efficient methods will quickly develop out of this co-operative attitude. Said one:

"During the war all workers began to realize that efficiency is the only way out for the French industries. They discovered that the old ideas were based on bad economics and now they are doing much better work. The union leaders are arguing for high efficiency."

A prominent labor leader declared:

"The French workman is very adaptable. He will soon learn methods of high production and intensive operation. . . . There are not enough workpeople to produce the country's necessities; therefore, the labor unions fully approve of the adoption of efficiency methods, and the workmen are demanding labor-saving machinery."

(5) The French employers appear to have a sympathetic understanding of the laborers' working methods.

<sup>1</sup> A. Thomas: *L'Information*, March 23, 1919.



They feel that they cannot push their workmen too hard or hold them up to regulations that are too strict.

“French workpeople are not disposed to steady, continuous effort. They are slow in getting started, and they have to walk around considerably. They will not concentrate their efforts sufficiently to accomplish as much work in eight hours as they formerly did in nine or ten. A Frenchman naturally resents being ordered about. Even in war he had to be given much personal latitude as a soldier. Individualism is a great factor in the French disposition.”

“There is no serious objection of French machinery workers to the sixty-hour week. The eight-hour day is desired only by the agitators. The average French workman could probably do as much work in eight hours as in ten, but that is not the French way of working. A Frenchman naturally prefers to stop occasionally and walk around the shop.”

It is probable that the trait here referred to as “individualism” would be called by an American, *temperament*. The French are certainly not individualistic, as the British are.

(6) It is noteworthy, too, that the men interviewed were united in their praise of women workers. There are a great many in France, even in time of peace. The official figures for July, 1917, are 626,881 women workers. A silk manufacturer of Lyons said 80 per cent of his employees were women; another manufacturer of the same city said in his force of 3,000 there were 300 women. Of the character of their work, one man declared:

“Women have been found better than men in all jobs. They are more sober, work harder, and save their money.”

It may be added that organized workmen have not only not objected to the introduction of women workers, but have demanded equal pay for equal work.

(7) Apparently not much has been done as yet in the matter of welfare work. The subject was, however, in the minds of the men interviewed. Some admitted frankly that shop conditions were bad and must be improved; some were taking up with welfare suggestions; in one conspicuous case welfare work was being done successfully. This last was the Citroën plant.

M. Citroën attributes a large part of his success to the welfare work carried on in his works. This work is done as a

pure matter of business, and not as a philanthropy. When he was operating at maximum capacity, the total cost of the welfare work, including depreciation, was not more than 3 per cent of the annual payroll, and in normal times it should not exceed 4 per cent.

The company provides all medical services free, including surgery, dentistry, etc.

Many families have all their representatives in the works, fathers, mothers, and children. The mothers are given time to nurse babies in the middle of the morning and in the middle of the afternoon, special rooms being provided for the purpose. Babies, and children of the kindergarten age, are taken care of by nurses and teachers paid by the company. M. Citröen showed us an admirable building situated in the midst of a beautiful garden, and provided with all modern conveniences, including an artistic kindergarten room.

The attitude of labor is not wholly in sympathy with this experiment. One labor leader said of it:

“I am opposed to the welfare methods of Citröen. I think the masters should give the men a good plant and should help them to get high production, but should cut out the fancy welfare work.”

About two weeks after the interview with M. Citröen, there was a local strike in his works for higher wages and other changes in working conditions. The Commission was advised that M. Citröen had decided to inaugurate a shop committee plan of handling labor disputes. What was the outcome of the strike was not reported to the Commission.

(8) There has never been the question of recognizing labor unions in France as in England or the United States. The generally tolerant attitude of French employers is also reflected here, and apparently the war has improved it. One labor leader complained rather bitterly that “only a few masters of industry in France will confer with labor leaders without bitterness.” An official of a large employers’ association, however, said:

“Employers are developing with the union leaders a plan for an employment bureau, managed by the workers and employers jointly, not by the politicians.”

One company does “not exclude workmen because of union membership, but there is a limit to the permissible amount of union activity during company hours.” A manufacturer said:

“Before the war employers were opposed to dealing with labor leaders. During the war the Government had to deal with labor leaders, as the government officials did not have time to deal with workpeople individually. Employers were, therefore, forced to do the same. Now the employers are disposed to continue this practice, believing that the results will be satisfactory. No bitterness has developed in the discussion with labor leaders.”

(9) On the whole, there seems to be no lack of machinery for bringing the French employer into contact with his men. Some employers said that they had not used even the Councils of Prud’hommes; others said many small problems were settled by the Councils. Apparently the spirit of co-operation makes elaborate machinery unnecessary, even in the large plants. One manufacturer gives an hour a day, from six to seven in the evening, to meeting any of his men who have complaints to make. Another summed up the matter by saying:

“Most employers keep in touch with their men. This is the best way to control labor.”

(10) The French industrialists that were interviewed by the Commission thought there was much loose talk about Bolshevism in labor circles. There was, however, in their judgment, no danger in that direction unless industrial conditions grew worse or failed to improve.

## CHAPTER XIX

### THE POLITICAL LABOR SITUATION IN ITALY

#### § 1. THE GENERAL SITUATION

Italy is not a highly industrialized country. It has, however, a surplus labor population that has been kept "skimmed off" by emigration for long-term employment in foreign oversea lands or by migratory work in neighboring states. Italy has for years furnished a supply of workmen to the northeastern section of France and the region along the Rhine. The bulk of Italian workmen at home are engaged in agriculture. Out of a total population, in 1917, of 36,716,522, there were 9,026,076 "occupied" with agriculture; 4,945,994 were engaged in industry; 921,578 in commerce. There were 2,476,833 male and 1,319,728 female proprietors of land and factories.<sup>1</sup> Such an industrial and commercial distribution of population must have an important effect upon the labor movement.

The financial burden of Italy is tremendous. It was explained to your Commission that the war cost was about 80,000,000,000 lire. In 1913 the annual budget called for 1,600,000,000 lire; the interest on the present debt is 4,000,000,000 lire; the total annual income needed is 6,600,000,000 lire. Added to this is the most unfavorable condition of foreign exchange, which cannot be corrected without goods to export. Factories cannot be started without coal and raw materials, and Italy does not possess either of these in substantial quantities. They must come from outside the country and credit must be established to make the purchases. As an illustration of what this situation means the following prices, which were in force from 1917 on, are given:

Coal for steam (Cardiff, splint) . . .	per ton	385	lire
Anthracite cobbles . . . . .	" "	405	"
Metallurgic coke . . . . .	" "	515	"
Pig-iron ematites . . . . .	" "	800	"
Hard steel for shells . . . . .	" "	900	"
Soft steel for shells . . . . .	" "	850	"

<sup>1</sup> "Forze Economiche Italiane," p. 1.

Hard plated steel . . . . .	per ton	1,350 lbs.
Soft plated steel . . . . .	“ “	1,200 “
Rods . . . . .	“ “	1,200 “
Plates . . . . .	“ “	1,400 “

Under such a burden of debt and prices social unrest is inevitable. Almost in desperation, projects are being considered looking toward forced loans from those who have benefited financially by the war, or even the repudiation of internal debts. Socialistic and other radical doctrines are bound to flourish.

“Never since the unification of Italy has industry been faced with such a crisis, so rich in promise, so filled with peril.”<sup>1</sup>

The many Italians who have gone from their home land as colonists or to work for a considerable period abroad have always been a substantial source of revenue to Italy. They have shown themselves to be industrious and thrifty, and have accumulated large sums in savings banks in addition to allowances sent home from time to time. The sums sent home from the United States have amounted annually to about \$80,000,000. From those Italian emigrants who have gone to Argentina, an annual sum of something like \$50,000,000 has been returned. As a result of the war, Italy has placed an external debt with the United States and Great Britain of about \$2,500,000,000, the interest on which, at 5 per cent, would amount to about \$125,000,000, or approximately the sum she could expect as a credit in the international account from her emigrants. A large per cent of these emigrants answered the call of Italy to come and fight for her preservation and are now to be cared for. It is stated that the Italian Government is planning to carry out a more enlightened policy of colonization to draw off her surplus population.

There has been in Italy much unrest and dissatisfaction due to the slowness with which demobilization has taken place. The Government held that there was no need for a carefully laid plan for returning pivotal men, as in Great Britain, because of the very large agricultural element. In general, it was arranged to release the older men first. There was, however, a decided reluctance on

<sup>1</sup> Amoroso, L.: “Situazione Economica,” *Giornale degli economisti e rivista di Statistica*, April, 1919.



the part of the Government to let the soldiers go back to jobless industrial centers. It has already been pointed out that industry could not start moving without raw materials and coal, and these could not be had without foreign credit. In the final analysis the problem in Italy, as in France, is one of finance.

Industrial and political influences were interactive in causing agitation in Italy. The war, it must be remembered, did not receive unanimous support. The Ministerial Government was never too secure. The propaganda for securing broader stretches of enemy territory, including Fiume, tended toward unrest. The high cost of living was pressing sorely on the great masses. The lack of industrial activity was disheartening. Outside influences from enemy countries were still at work.

The Germans had in the past maintained an active propaganda among the leaders of labor unions and Socialists. In one case, such a leader had accumulated property worth a million lire and had become a member of Parliament. The Germans did this on the ground that they could influence the labor element, because they would believe what one of their own numbers said, while they would not take the word of an employer.

The General Confederation of Labor (*Confederazione Generale del Lavoro*), with its 420,000 members, cooperates with the parliamentary Socialists. As elsewhere the Socialist parties depend largely on the working classes for their clientele; the Italian Social Union, formed in 1918 in evident opposition to the Italian Socialist Party, is in membership practically identical with the Italian Labor Union. All of these influences, political and industrial, have been increasing the seething unrest throughout Italy.

As tending to neutralize the disturbing influences indicated above have been the high prices that agriculturists received for produce and the high wages and war bonuses received by industrial workers. The returning soldiers have, therefore, found their families better off than they expected.

The men returning from the army, who had formerly been peasants, were happily surprised at finding their families at home in better financial condition than they had expected. The reason for this was the prices of agricultural products produced by their families had become very high during the

war, and, as a consequence, they had more actual money for what they produced than ever before.

The employees of the largest industrial establishment in Italy had averaged before the war about 6 or 8 lire per day. During the war this average had increased to about 18 or 20 lire, and on piecework some men made as high as \$20 per day.

Italian labor is not highly organized, not more than 20 per cent being in unions. This small minority, however, is the radical element, and by use of violence forces others to follow its lead. It is this policy that gives a radical reputation to Italian labor. The new element in the situation is the organizing of office forces, the foremen, the clerks, the superintendents, the draughtsmen, the bookkeepers. As in Great Britain, unionism is concentrated in the large basic industries. The three important organizations are the General Confederation of Labor, with 420,000 members, the Italian Labor Union, with 120,000, the Catholic Unions, with 120,000. The Independent Unions, with a membership of 250,000, resemble most closely the American Federation of Labor in their policy. A newly formed organization, the Italian Labor Union, was founded in 1918, with a membership of about 162,000, and is opposed to the General Confederation.

The Italian laborer, like the French, is unwilling to pay burdensome union dues. Membership is, therefore, variable, leaping up to portentous figures in a crisis, falling to a small per cent in peaceful times. Unions cannot accumulate large reserve funds and are unwilling to face a long drawn out strike. In Italy, therefore, as in France, the movement for a general strike, to paralyze all industry and bring the crisis immediately, gains headway. The figures of membership at any one time may be deceptive.

Unity in Italian labor organizations is largely superficial. One and all they contain violent explosive power. This fact has long been true of them, as their history shows.

The Italian Labour and Socialist movement, like that of France, has been subject to serious divisions, resulting in the formation of continually shifting groups, which prevent the creation of a united organization. Moreover, as in France, there is a strong element of Syndicalism in the Trade Unions, which hinders effective co-operation between those bodies and the political movement. . . .

There have been three main sections in the party. One led by Turati is reformist in character, believing in political action and evolutionary socialism. Arturo Labriola was the head of a second section of extremists. He left the party in 1907 to form a separate body of Syndicalists. Professor Ferri was the leader of an intermediate group known as Integralists. In 1906, owing to internal disputes, 30 Socialist deputies resigned their seats, and 25 were re-elected. In the same year at the Congress of the party, the Syndicalist element was defeated by a majority of five to one, and left the party. But contention persisted between the other groups, and at Milan in 1910 the followers of Turati carried a resolution in support of their view and policy against the Revolutionists and Integralists by a large majority.

The war in Tripoli caused further discord. The Government were at first supported by the Socialists, but later most of them withdrew their support. Several deputies were expelled, who then formed a new reformist party of their own. Professor Ferri resigned from the party and the Chamber, and was re-elected as an independent. These dissensions, however, although fatal to unity and effectiveness, have not prevented the rapid growth of Socialist representation in Parliament.<sup>1</sup>

No better commentary can be made on the volatile temperament behind the Italian labor movement than this statement of facts. It shows how socialistic ideas are sifting down into the minds of workmen, but that the reaction is to make those minds less easily controlled by an organization. Here lies an element of safety and an element of danger; an appeal will bring quick results, whether that appeal is to the better impulses or to the worse. At any rate, Italian labor organizations are builded upon a powder mine.

Much blame for the social and industrial unrest in Italy is cast upon the Government. The criticism is aimed not at a wrong policy but at the lack of any policy at all. There has been a failure, it is said, to provide any system of public service to bridge over the readjustment period; no readjustment of industries themselves has been undertaken by the Government; there is no financial policy, although bankruptcy stares the Government in the face; there is notorious disorder in all Government service. This lack of definite stand is said to be due to political subterfuge. The result of these recriminations is an unstable and therefore a timorous ministry.

<sup>1</sup> Labour Yearbook, 1916, p. 416.

## § 2. ITALIAN LABOR IN THE WAR

The story of Italian labor during the war is largely the story of industrial mobilization. Again, it must not be understood that there were no disturbing influences, but on the whole, as indicated in the account given below, "the results seem good." Outside the "economical divergences," as, for instance, the high cost of living, where differences were settled in a friendly way, the work-people of Italy have "proved very active and disciplined during the war." There were but few strikes and those involved a small number of men.

The chief nucleus for the mobilization of Italian industries and the ones that formed the principal part of the mobilized industries were the so-called "auxiliary" or controlled establishments.<sup>1</sup> In order to intensify and to ensure the continuity of war production, it was considered necessary to put the principal factories for the making of munitions and war materials under the control of a special system. The firms that were placed under that system bore the name of "auxiliary" establishments. The general system of control was known as "auxiliary." The system was introduced for the first time by the decree of August 22, 1915. A following decree on July 5, 1917, also applied to those industries that did not serve directly the production of war material but concerned national economy and the general welfare of the country. An industrial establishment could be officially declared auxiliary when its importance and the character of its production rendered military supervision necessary. Such supervision was frequently sought by establishments.

Under the decree of the King, announced June 26, 1915, a system of industrial mobilization was immediately sought for. The organization, it was claimed, must fulfill the following conditions:

1. It must be simple, decentralized, capable of quick action, with local executive officials who could act promptly and who could be in direct contact with the industries.
2. It must perform with the highest possible uniformity throughout the entire country by means of general instructions and directive ideas from a general headquarters, which, naturally, had to be in Rome, the demands of the Arms and Munitions Board.

<sup>1</sup>The material for the rest of this section is taken from a report made to the Commission by Signor Cavaliero Enrico Toniolo.

3. It must provide the workmen, both civil and military, with a means of demanding fair treatment and with a power of appeal in case they should feel their rights were infringed upon.

And all this without the least interruption of work.

A central committee, therefore, of industrial mobilization was organized in Rome and sub-committees, called Regional Committees, were organized in various local centers. The rapid increase in the number of establishments brought under control can be seen from the following figures taken from successive reports:

Number of Report	Number of Establishments	Number of Skilled Workmen
I . . . . .	125	111,400
II . . . . .	290	173,000
III . . . . .	800	325,000
IV . . . . .	1,000	450,000
V . . . . .	1,600	546,000
VI . . . . .	1,750	604,000

These reports do not include several establishments of minor importance.

The number of establishments outside of military control and the number of skilled workmen employed in them are shown by the following three reports:

Date of Report	Number of Establishments	Number of Skilled Workmen
December 31, 1916 . . . . .	1,650	89,000
June 30, 1917 . . . . .	1,700	100,000
October 31, 1917 . . . . .	1,820	105,000

If to the controlled and uncontrolled establishments one adds the numerous military establishments that in the aggregate employed about 70,000 workmen, a total of over 3,600 workshops with an aggregate of over 780,000 skilled workmen will be reached. A few months after the period covered by the reports, the number had mounted to over 1,200,000 skilled workmen. Even this number does not include several other hundreds of thousands of workmen and workwomen belonging to manufacturing industries of various sorts.



Among the 780,000 workmen employed in the manufacture of arms and munitions, only about 280,000, or 37 per cent, had been exempted from active military service. This means that about one man out of three capable of serving in the army was kept working in the munition factories. It may be seen from these figures that a very small percentage of able-bodied men was kept back from active military service. As a matter of fact, the great majority of those who worked in the factories belonged to the military class of some year preceding 1890. Before the end of the war those men belonging to the classes of 1890 and 1891 were recalled from the front line for service in munition factories. The great body of workers had to be recruited, therefore, from older men and from those too young for military service and from women workers. More than 200,000 women and boys were at work in these factories.

The Italian Government has expressed its appreciation and gratitude for the splendid work done by this group of workmen "fighting, too, its own war out," against technical difficulties of all kinds, against danger of poisonous products, and against risks of explosions. This army also had its victims, its dead, its mutilated, due to the mishaps and misfortunes that could not be prevented and that were increased by the speed of the work and the lack of skill among the workmen.

The chief features of the system of control were as follows: first, the Government undertook to provide the controlled firms with raw material, especially those whose raw materials came from a foreign source and the supply of which might grow scarce if left to the individual firms. In order to secure an ample supply of materials, a system of control and distribution was established for coal, steel, gasoline, etc. This system of distribution was entirely under Government control. Second, the Government undertook also to insure to the controlled establishments the necessary skilled workmen by exemption from military service, by professional training, and by bringing in skilled workmen from colonies. In order to provide training for the unskilled workmen, schools were established and placed in charge of soldiers who were not able to be on active service, in Turin, Milan, Modena, Genoa, Rome, Naples, and Palermo. These schools have trained more than 12,000 workmen.

The controlled establishments were under strict military discipline so that they were not allowed to refuse to carry out the work assigned them, which concerned military affairs. Every order had to be carried out even if in doing so new or increased equipment was made necessary. The closing down of plants, strikes, slackness, sabotage, and every action that would interfere with high speed production was prohibited.

Under the system of prohibition and restriction imposed by military discipline, it became necessary for the Government to set up some kind of machinery for the handling of differences that arose between workmen and employers. There were the questions of wages, of prices of products, and of grievances which had to be answered. For the examination of differences arising between employers and employees, Regional Committees of Industrial Mobilization were formed, to which the power of making final decisions was given. An appeal from the decision of the Regional Committee to the Central Committee of Industrial Mobilization at Rome was possible.

The principle was announced at the time of mobilizing industry that conditions of labor should remain the same as those prior to the war. Nevertheless, some freedom of action was granted to skilled workmen who were dissatisfied with conditions of work and of living. No changes in wage contracts, however, could be made without the approval of the Regional Committee and of the Central Committee of Industrial Mobilization. During the war wages were increased from time to time, either under the form of indemnity for the high cost of living or as an increase of pay fully justified by the prices received for the products.

There was, at first, an unregulated extension of work hours due to the demand for high speed production in military establishments. After a time, however, the Committees of Industrial Mobilization succeeded in restoring the pre-war work hours, or, at least, in reducing them sufficiently to avoid excessive strain and exhaustion of the workmen. With the entrance into the arms and munition factories of women workers and boys, further restrictions in the length of the workday were made necessary.

Special circulars were sent out by the Industrial Mobilization Board regarding the wages to be paid to military

workmen. These workmen were divided into six classes and a minimum wage was established for each class. From the employers in these military establishments, the workmen were supposed to receive a wage equal to civilians who were doing the same kind of work. The result was that many military workmen received wages much higher than the minimum fixed by the wage list. For instance, a coppersmith detailed to factory work from active service succeeded in getting 8 lire a day. The same amount was paid to an electrician, a turner, a carpenter and plate-layer. There were some such workmen that succeeded in getting even more than 10 or 12 lire per day.

For the soldiers who were called into active service, the Government settled subsidies upon their families according to the following list:

Character of Individual	Large Parishes [Lire]	Other Parishes [Lire]
Wife . . . . . per day	0.85	0.75
Each child . . . . . " "	0.45	0.40
Single parent . . . . . " "	0.85	0.75
Single brother or sister (age twelve years) " "	0.85	0.75
Each other person . . . . . " "	0.45	0.40

When a soldier was detailed to factory work, his family ceased to receive the subsidy. It might be, however, that, if the military workman did not receive sufficient pay or was called far away from his family, the Board would reestablish the subsidy.

In order to insure continuity of work and to avoid all industrial difficulties that would delay output and to prevent strikes, all workmen in military establishments were liable to become subject to military discipline at the discretion of the Board. In this way, the giving up of work was equal to desertion from the army, and therefore punishable according to the military criminal code. Any kind of insubordination or any refusal to follow orders, even of a technical character, were punishable according to military rules. This system was adopted by the regulation established August 22, 1915. It was later modified and appeared in final form in the decree of November 5, 1916. The judges in cases of this kind

were selected from the military tribunals. Supervision for enforcing of discipline was entrusted to army officers. These officers, however, did not supplant the authority of foremen or directors in the plant. They were rather used to reinforce the rigid discipline in each establishment. In this way it was possible to maintain a fairly limited number of army officers employed in such service. The proportion on the average was about one officer for each 2,000 workmen. The mode of punishment most generally used was military imprisonment. The entire system was adopted without objection and gave on the whole good results. The number of cases of serious discipline did not reach an average of two per day for each 10,000 workmen.

Under this system of discipline, individual absences not justified decreased about one-half in comparison with the preceding period. Strikes of an economic nature almost entirely vanished. There were some isolated cases of strikes, but they were limited to single firms and were of short duration. There were practically no cases of factories closing; there were no lockouts. Dismissals, resignation, transfer from one establishment to another without permission were absolutely regulated. The number of cases settled by Regional Committees up to August, 1917, was 289 and involved 170,000 workmen. The differences settled by arbitration numbered 81 and involved 63,000 workmen. There were 30 appeals from the Regional Committees to the Central Committee.

### § 3. ITALIAN LABOR SINCE THE ARMISTICE

The period since the signing of the armistice has been one of increasing unrest among Italian workpeople. Although not highly organized, the workmen of Italy who are radical make up the primal force of labor unions and are able to swing into line, in the emergency, a large number of the unorganized.

From among the unions come the agitators, and these have found fruitful fields in Italy since November 11th. The ferment that was repressed during the war rose when the fighting was over, flashing out here and there in strikes and riots. Gradually there floated into definition a plan for a general strike to secure, as the radicals put it, "the dictatorship of the proletariat." The first date set for such a strike was Labor Day, May 1st, but this proving

abortive, a second date, July 21st, was set. As this day approached, labor disturbances increased in number and violence, but the movement failed to culminate in a general strike.

As in France and Great Britain, the causes of unrest in Italy are partly social, partly political, and partly industrial. The widespread poverty in Italy has been accentuated by the excessively high prices of foodstuffs and wearing apparel. Bread riots have been of frequent occurrence and of violent character since the armistice. Political dissensions were rife in Italy during the war and instability marked the Ministry that was finally displaced in June. The Fiume incident points the moral here. The big economic problems in Italy have been (a) finance, (b) industrial readjustment to peace-time basis, (c) coal and raw materials, and (d) transportation.<sup>1</sup> These are, of course, interacting influences, the lack of foreign credits preventing the purchase of raw materials which in their turn were essential to a revival of industry, and the lack of transportation preventing the import of coal. Without the desired revival of industry, the soldiers were kept mobilized to obviate unemployment and prices rose until they were 40 per cent higher than elsewhere.

During the war wages had risen rapidly in Italy, as elsewhere. After the armistice the demands of labor were often extravagant in character. In one large plant visited by the Commission there was a serious strike.

Some time before, they granted the eight-hour day; then their clerks, bookkeepers, and office help formed a syndicat and struck for a 30 per cent advance on the first 100 lire of the monthly wage and 10 per cent on the second 100 lire of the monthly wage. The company conceded these rates and the men returned to work. The present wage for this class of work runs from 400 to 1,200 lire per month. Following this the engineers, who include designers, draftsmen, shop superintendents, foremen, instructors, etc., seeing how easily the office force had secured their demands, formed a syndicat consisting of 1,000 employees and demanded classification into three grades, each group to receive 1,200, 1,800 and 2,400 lire per month, respectively. As these rates were extortionate and entirely beyond the company's ability to grant, they refused the demand and the men struck.

<sup>1</sup> London *Times*, March 29, 1919.



Said another:

It is a part of the policy of labor to ask for a share in the management. They make an undisguised claim over the control of industry. They make increasing demands upon the employers, believing that if the employer will be unable to exist under these new conditions, they unhesitatingly demand that they should then take over the property. Thus the labor demands lead inevitably to socialistic control over property.

And further:

The claims of the laborers (on Tramway System of Rome) became so extreme as to wages and other matters that the expense of operation made the tramway unprofitable at the present rate of fares. The only solution was an increase in the fares. It was realized that if they were raised by a private company there would be such opposition to it as to make it impossible.

In the silk industry

it was explained that the Italian costs were 40 per cent more than those of Japan. Consequently, the Italian establishments had lost the American market already for at least two years. . . . The high Italian costs were largely due to wages. In March there had been a rise in wages of 20 per cent. Now there was a demand from them for the eight-hour day with the same rate as formerly paid for ten hours.

The Government, it has been claimed,<sup>1</sup> has been without a policy; it has drifted or has veered and tacked to catch the shifting political breeze. Some things, however, the Government has done to allay the general discontent. Important among these is the political pressure brought to bear upon employers to adopt the principle of a minimum wage and of an eight-hour day. The tendency of the minimum wage and the eight-hour day, however, was to increase further the cost of living, and bread riots became more violent. Nor did such a movement start the wheels of industry or secure raw materials and coal. Of more direct effect was the decision by the Government to fix the price of bread and wheat, and to distribute 3,500,000 pairs of "national" shoes within the year. A card system has been developed for distributing the supplies of wearing apparel, by means of which 750,000 pairs of shoes, 50,000 meters of heavy cotton-wool goods, 71,000 meters of light cotton-wool goods, 68,000 meters of flannels are already

<sup>1</sup> Amoroso, Luigi: *Giornale degli Economisti e rivisti di Statistica*, April, 1919, "La Situazione Economica."

in distribution. The Minister of Industry and Commerce has determined to continue "on his own account" the manufacture of goods in forty plants. The output of these plants is expected to reach 20,000,000 meters of cloth. Some 5,000,000 meters have already been put on sale at less than market price.<sup>1</sup> A movement is also being agitated for public works to be started in order to give employment.

A generous act of Italy's King has done much to endear him to the common people and also to allay discontent. He has given to the state for distribution among the peasants a large part of his crown lands. This generosity on the King's part will no doubt find a response among his people and tend to make them more tolerant during this trying period.

In many respects the labor situation in Italy resembles that of France. There is the same overwhelming burden from the war, the same temperament, similar radical influences, an energetic and radical organized minority, an appeal to the general strike for quick results, a following of leaders that rise in a crisis, a strong trend among the unorganized masses toward conservatism and serious consideration of problems, dissensions over political and religious questions, extravagant demands by irresponsible leaders. Italy, however, has a surplus of labor; Italy lacks natural resources. She cannot maintain her population from her own efforts. Foreign loans, avenues for drawing off her surplus labor, trade relations abroad are essential to the welfare of all, and especially to the workpeople. The restlessness among her working population, especially in the industrial centers, can be allayed only by returning prosperity. This basic fact is now coming clear in the minds of industrial leaders. As in France, it is the idle workman who is dangerous. Disrupting influences, from Germany or elsewhere, will not likely make great headway among Italian workmen who are employed.

In Italy, politics had already been interwoven with industrial problems. As has been said, only a small percentage of laborers is organized into unions; but the extreme radicals control them. They are the ones who make the speeches, threaten, and, when striking, resort to violence. Thus they frighten the general body of peaceful

<sup>1</sup> Commerce Reports, September 6, 1919.

workers into joining them in any crisis; and they succeed in intimidating the employers. In recent months the absorbing question in Italy has been her attitude to the proposed terms of peace. Taking advantage of this situation, the extremists have increased their demands and to avoid a general strike while the Peace Conference was in session at Paris, the Government brought pressure to bear on employers to meet the demands of labor. Political and other disturbing and disquieting influences would lose much of their force among Italian laborers if finances, raw materials, and food were supplied.

## CHAPTER XX

### THE INTERNATIONAL POLITICAL LABOR MOVEMENT

#### § 1. INTERNATIONAL LABOR MOVEMENT BEFORE THE WAR

Political activity in behalf of labor interests became international through socialistic propaganda. It was this spirit of propaganda that inspired the Communist Manifesto of 1848, which launched the crusade of Karl Marx and Frederick Engels. In the previous year an international organization, called the Communist League, had been made in London. The reaction to this radical movement was so successful, however, that the League was overwhelmed and disappeared.

To an exhibition held in London, 1862, came a deputation of French workingmen. They met with representatives of English workers and laid the foundation for the International Association of Workingmen. Karl Marx drafted the constitution, radical and socialistic in character, which was adopted at a meeting in Geneva, 1866. A third congress at Brussels, 1868, included delegates from England, France, Germany, Belgium, Italy, Spain, and Switzerland. The Franco-German War interrupted its activities for a time, but a congress met at The Hague, 1872, and another, the last, at Geneva, 1873. In its day it created considerable sensation, and continental governments were somewhat alarmed at the doctrines preached. Its actual achievements, however, were small.

Then followed a period of reaction and inactivity, until in 1889, on the centennial anniversary of the French Revolution, there assembled in Paris an International Socialist Congress. This congress was engineered by the French Socialist parties. It quickly divided into two groups, one following the Marx model and called the Marxist Congress, and the other, an opportunist group, called the Possibilist Congress. Later meetings of these groups were held, Brussels 1891, Zurich 1893, London 1896, and Paris 1900. It was at the Paris Congress, 1900, that a

new central organization was formed called the International Socialist Bureau, which still exists as the chief international machinery for political activity in spreading socialistic doctrines. Its requirements for affiliation are sufficiently suggestive of the principles for which it stands.

“(1) All associations which adhere to the essential principles of socialism; socialization of the means of production and distribution; international union and action of the workers; conquest of public powers by the proletariat organized as a class party.

“(2) All constituted organizations which accept the principle of class struggle and recognize the necessity for political action (Legislative and Parliamentary) but do not participate directly in the political movement.”

As has been said, the socialists are primarily concerned with political action; the socialist movement is a political movement. Incidentally, industrial action may have been encouraged for a definite purpose, as when, through the International Association of Workingmen, the British Trades Unions made substantial contributions to the French and German strike funds. In France, Italy, and Belgium, today, the organized labor movement very largely finds expression, politically, through a socialist organization. This is not true of England, where the organized labor movement has been unique in remaining chiefly industrial.

British labor first found political representation through the established political organizations. In 1874, long before there was an official labor party, Thomas Burt and Alexander Macdonald were “returned.” It was, of course, in the Liberal Party that labor found most sympathy, but it worked directly through its own Labor Representation League. Socialistic organizations began in England in the early eighties. The Democratic Federation was formed in 1881, subsequently split into two sections, one following William Morris, and calling itself the Socialist League, the other following H. M. Hyndman, and known as the Social Democratic Federation. The Fabian Society was organized in 1884, representing the “intellectuals.” All of these organizations found voice in the Trades Union Congress.

Lack of success caused the opening of a new campaign under the leadership of J. Keir Hardie, a representative of



the Ayrshire miners, who declared at a meeting of the Trades Union Congress in 1887 for the political independence of labor. To this cause he devoted the rest of his life. Two years after this declaration came the great Dock Strike of 1889. On top of this came a stimulation through the lectures by Henry George on Single Tax and Land Reform. In 1893 there was called a meeting of representative social and labor bodies at Bradford over which J. Keir Hardie presided. Prominent also at this time were John Burns and J. Havelock Wilson. From this meeting came the Independent Labour Party.

“The Conference declared: That the object of the Independent Labour Party shall be to secure the collective ownership of all the means of production, distribution, and exchange, and its immediate aims independent labor representation on all legislative, governing, and administrative bodies.”<sup>1</sup>

This is still an active political party. In 1916 it had nearly 800 branches and 60,000 members. It is not, however, as will be shown, the real political backbone of the British labor movement.

Success did not attend the early steps of the Independent Labour Party; its representation fell off sharply in the 1895-1900 Parliament. This lack of success led to a broadening of the political movement. At a Trades Union Congress in 1899 a resolution was passed “to invite the co-operation of all Co-operative, Socialistic, Trade Union, and other working-class organizations to jointly co-operate on lines mutually agreed upon in convening a Special Congress of representatives from such of the above-named organizations as may be willing to take part to devise ways and means for the securing of an increased number of Labour Members to the next Parliament.”

In accordance with this resolution there met in London a conference of delegates on February 27, 1900, which drew up a constitution forming the Labour Representation Committee. It was this organization that was predominant in the British political labor movement from that time until by the adoption of a new constitution in February, 1918, it became the Labour Party. Today this is the strongest British labor political organization.

<sup>1</sup> Labour Yearbook, 1916, p. 345.

It was this political organization of workers that stood solidly for legislative enactment to overthrow the precedent in the Taff Vale Case, 1902, which held a striking union for damages under a broken work contract, that opposed with equally successful stubbornness the Osborne decision, 1910, which prevented the use of union funds for political purposes. It is this party that forms the moderate center in labor politics.

Various congresses of labor unions of a limited international character, such as the International Miners' Federation, the International Textile Workers' Federation, had met intermittently before the formation of the International Trade Union Secretariat in 1901. Until recently this has never been a labor organization strong enough to be compared with that of the Socialists. Its purpose was clearly defined at a Conference held in Dublin, 1903, which showed it to be not much beyond an international labor men's news service bureau. Strike statistics and similar data are published annually by it. In 1912, it is claimed, the number of members affiliated with the International was 7,395,361, and that it embraced the trade union movements of twenty-one countries — in fact, all countries with any considerable trade union activity except Australia, Bulgaria, and Argentina. For 1916, claim was made for a membership of 15 millions.<sup>1</sup>

This International Federation of Trades Unions, as it is now called, included before the war the French Confédération Générale du Travail, the American Federation of Labor, the General Commission of German Unions, the General Federation of Trades Unions of Great Britain (not the British Trades Union Congress), and many other trade union bodies throughout Europe. It was from this organization, by a proposal emanating from the American Federation of Labor, that the "suggestion" was first made to have labor representatives at the Peace Conference. But, as has been shown, the task of bringing these labor unions together upon some definite, agreed policy and joining with them the great bulk of socialist organizations did not come down from this super organization but up from the British trade union movement.

It is necessary to keep this background of development in mind, not only to understand the attitude of labor

<sup>1</sup> Labour Yearbook, 1916, pp. 426-27.

during the war, but also to appreciate the existing situation. Everywhere your Commission found that in the opinion of manufacturers, "politics," in its bad sense, was a part of the great labor problem.

"Trade unions are being misled by politicians," said one prominent Englishman interviewed by us. "They are the most irresponsible leaders, since they can throw responsibility for mistakes or omissions on the Government, and can promise liberally what they know to be impossible."

Said another:

"At present there is far too much reckless and injurious talk by politicians in the government services and in the trades unions."

The development in England is of peculiar significance, first, because British labor has assumed a leading part in the present international movement, and, second, because in contrast with American experience this is a political labor movement and in contrast with the experience on the continent it is a trade union, not a socialist, movement. It is now proposed to show how this British political labor movement set about consolidating opinion at home and formulating a program, then how it reached out to unify and specify the aims of Inter-Allied Labor, and, with this accomplished, how it launched a "political offensive" against the Central Powers. Incidentally there will be described the entrance of political action more and more into industrial problems. The culmination of this new movement, as has been suggested, was the International Labor Conference in connection with the Paris Peace Conference, which will be taken up in detail.

## § 2. THE INTERNATIONAL LABOR MOVEMENT IN THE WAR

In every country there has been a radical element opposed to war. In 1913 the International Socialist Organization made protest against the larger powers being drawn into the Balkan imbroglio. In 1914 there were demurrers in Germany, in France, in England. The Socialist Party in Belgium stood by the Government; opposition was individual. Throughout the struggle, too, there has been this nucleus of pacifists in the labor group, the radical socialist part.

Labor, however, found a place in the war governments. In England the Asquith Ministry sought the co-operation of the trade union members of Parliament and selected for important offices such men as Arthur Henderson, Roberts, and Brace. Many more came in under Lloyd-George, conspicuously J. R. Clynes, John Hodge, and G. N. Barnes. In France there was M. Albert Thomas, and in Belgium, M. Vandervelde. What labor had not achieved by ballot was secured by appointment.

Under the drastic demands of war the governmental control increased; regulations became ever more stringent. It was inevitable that labor must yield many things. As has been shown, that bundle of rules and regulations which British trade unions had struggled so long to secure, having to do with length of day, output, and working conditions, was discarded under the promise of restoration after the war. It was agreed, also, except for the miners, that differences should be settled by arbitration and not by strikes. In other words, for the period of the war a truce was declared between employers and employed. It should be noted, however, that labor's position has been so powerful during the war that it has received practically what it demanded.

What, then, had become of that splendid array of principles put forth by the international socialist organization? Labor, for the most part, in every country had stood behind its Government; labor was fighting itself. And in the midst of this struggle there met, in 1915 the neutral Socialists at Copenhagen, the Socialists of the Central Powers at Vienna, and the Socialists of the Allies at London, and each conference reiterated almost identically the same doctrine. The Allied Socialists justified their war stand on the grounds that Germany had invaded Belgium and France and threatened the existence of independent nationalities. The Socialists of Germany and Austria spoke only in general principles.

The International Socialist Bureau continued some activity from its new headquarters at The Hague. Nothing except an interchange of views came of it. After the Russian revolution, 1917, the International moved to Stockholm. A Dutch-Scandinavian Committee, with Branting, the leader of the Swedish Socialist Party, at the head, was formed. The "Stockholm project" was launched, but the British and French would not at first

consent to take part. It was necessary for the Allies first to know where they themselves stood before their co-operation could be secured for an international conference; they would not be stampeded. Later when it was decided to send delegates the British Government refused them passports.

The first real attempt of allied labor to get together on a practical working basis was at the Congress in London, August, 1917. Here were representatives from eight allied nations, including Belgium, France, Russia, and England. The important point to be noted is that this is a political trade union movement, not a Socialist movement. The latter had failed; it was now left to trade unions to try their skill. The first attempt was a failure. No agreement could be reached either on a statement of principles or on a statement of war aims.

Not daunted by this first experiment, after a preliminary discussion in Paris among the leaders, another Congress was called for London, February, 1918. To this the American Federation of Labor was invited but no delegates attended. Russia also was absent; the Brest-Litovsk negotiations were then on. The leading spirit in this conference was undoubtedly Mr. Henderson, who had been a government agent to Russia, who had been refused a passport to Stockholm, and who had resigned from the war cabinet. It was a labor and Socialist congress, with the trade union element in control.

This was in every way an important conference. The character of leadership in organized labor for the rest of the war was there determined; from it came the specific declaration of the aims for which labor was fighting and the conditions which they would strive after the war to realize. It marks a distinct victory by the trade union movement over the Socialist movement and the taking over by the trade unions of a large part of the socialistic program. From this time on, until another movement begins, labor's political and industrial aims and methods are fused. One cannot understand the British labor situation today without this knowledge.

These aims embodied in the resolutions passed at this Inter-Allied conference are so significant in themselves as to justify a summary. Furthermore, it is to these aims that British labor has clung with all of its world-famed bulldog tenacity. They were reaffirmed in the midst



of the great German 1918 drive, and to them was added a reconstruction program. They are today the program of a majority of British laboring men. They have, in part, found expression in the Treaty of Peace and in the League of Nations. With them British industry must cope. On the basis of them British labor is willing to meet the world in trade. They form the British labor movement's politico-industrial program and British labor proposes to teach them to all working classes of the world.

The main points of the significant resolution passed at the Inter-Allied Congress in London, February 20-24, 1918, may be briefly summarized as follows:

1. While not definitely allocating the causes of the war, the Congress declared it would fight to remove those causes which underlie modern capitalistic society and especially "the aggressive policy of Colonialism and Imperialism."

2. The world can be made safe for democracy only by establishing throughout the world the right of peoples to self-determination by means of a League of Nations. "The Conference expresses its agreement with the propositions put forward by President Wilson."

3. The supreme right of each people to determine its own destiny must be applied in settling questions of reparation, restitution, and territorial readjustments.

4. In economic relations it declares:

- (a) for the opening without hindrance of all lines of marine communication;

- (b) against an economic war, by means of tariff or monopoly, or military and fiscal alliances;

- (c) for conservation of resources at the same time with their speedy development;

- (d) for an international agreement for the enforcement in all countries of the legislation on factory conditions, a maximum eight-hour day, the prevention of "sweating" and unhealthy trades necessary to protect workers against exploitation and oppression, and the prohibition of nightwork by women and children;

- (e) for the principle of "no cake for anyone until all have bread," to be secured by continued government control and a pooling of international resources.

(f) for the prevention of unemployment of demobilized soldiers and of displaced civilians by temporary relief and by government enterprises.

(g) for an international congress of labor and socialist movements to remove misunderstandings and to work for freedom of propaganda.

The significance of these resolutions is self-evident. It may be well, however, to call attention to the fact that many of them have been carried forward through the peace parleys. One should remember also that these were framed by an Inter-Allied Congress during the darkest days of the war. While there is enough radicalism to hold together the socialist groups, there is still a moderateness about them to appeal to the more conservative laboring man.

Of more immediate and vital importance, however, in the industrial situation today is the program for reconstruction which was set forth in a resolution adopted by the British Labour Party in a meeting at Nottingham, January 23-25, 1918. The main points are summarized below:

1. "The view of the Labour Party is that what has to be reconstructed after the war is not this or that Government Department, or this or that piece of social machinery, but, so far as Britain is concerned, society itself."

2. The new society is to be built up "on a deliberately planned co-operation in production and distribution for the benefit of all who participate by hand or by brain," "on a systematic approach towards a healthy equality of material circumstances for every person born into the world," "in industry as well as in government, on that equal freedom, that general consciousness of consent, and that widest possible participation in power, both economic and political, which is characteristic of Democracy."

3. "The Four Pillars of the House that we propose to erect, resting upon the common foundation of the democratic control of society in all its activities, may be termed, respectively:

- (a) The Universal Enforcement of the National Minimum;
- (b) The Democratic Control of Industry;
- (c) The Revolution in National Finance; and
- (d) The Surplus Wealth for the Common Good."<sup>1</sup>

<sup>1</sup> Cf. "Labour and The New Social Order," p. 12.

Behind this political program there stand today such labor leaders as Arthur Henderson, J. H. Thomas, J. R. Clynes, J. Ramsay MacDonald, and Sidney Webb. Among them does not occur the name of a newer, energetic, radical leader, Robert Smillie, president of the Lanarkshire Miners' Union (Scotland), president of the Miners' Federation of Great Britain (800,000 members), and chairman of the Triple Alliance of Railwaymen, Transport Workers, and Miners. He is spokesman for the extremists and for the "rank and file," and probably is the best exponent of industrial action for both political and economic control. His following is strong, independent, aggressive, domineering. It is not willing to wait for the success of the step-by-step movement; it does not endorse that part of the moderate Nottingham resolutions which reads:

"We do not, of course, pretend that it is possible, even after the drastic clearing away that is now going on, to build society anew in a year or two of feverish 'Reconstruction.' What the Labour Party intends to satisfy itself about is that each brick that it helps to lay shall go to erect the structure that it intends and no other."

The political labor element led by Smillie is for feverish reconstruction. The activities of the Triple Alliance described above mark the advance of this radical element.

The passage that states most compactly the issues of the Labour Party program is quoted below:

"But unlike the Conservative and Liberal Parties, the Labour Party insists on Democracy in industry as well as in government. It demands the progressive elimination from the control of industry of the private capitalist, individual or joint-stock; and the setting free of all who work, whether by hand or by brain, for the service of the community, and of the community only. And the Labour Party refuses absolutely to believe that the British people will permanently tolerate any reconstruction or perpetuation of the disorganization, waste, and inefficiency involved in the abandonment of British industry to a jostling crowd of separate private employers, with their minds bent, not on the service of the community, but — by the very law of their being — only on the utmost possible profiteering. What the nation needs is undoubtedly a great bound onward in its aggregate productivity. But this cannot be secured merely by pressing the manual workers to more strenuous toil, or even by encouraging

the "Captains of Industry" to a less wasteful organization of their several enterprises on a profit-making basis. What the Labour Party looks to is a genuinely scientific reorganization of the nation's industry, no longer deflected by individual profiteering, on the basis of the Common Ownership of the Means of Production; the equitable sharing of the proceeds among all who participate in any capacity and only among these, and the adoption, in particular services and occupations, of those systems and methods of administration and control that may be found, in practice, best to promote, not profiteering, but the public interest."<sup>1</sup>

A further point is worthy of notice. There is a firm stand taken on the question of nationalization.

"The Labour Party stands not merely for the principle of the Common Ownership of the Nation's land, to be applied as suitable opportunities occur, but also, specifically, for the immediate Nationalization of Railways, Mines, and the production of Electrical Power. . . . The Railways and Canals, like the Roads, must henceforth belong to the public, and to the public alone."

In the same category are Health and Life Insurance.

There is no specific single method advocated by which these objects are to be achieved. Obviously, however, the existing government machinery is assumed to continue, even though its control is to pass over to labor. A very large part of its reconstruction program is to be the result of legislation; for example, "the revolution in national finance" is a taxation of capital, a "steeply graduated income tax," the Factory, Mines, Railways, Shops, Merchant Shipping and Truck Acts, and the Acts on Public Health, Housing, Education, and Minimum Wage are all legislative acts. To this extent, and further, the method is one of political action. The "step-by-step" movement is in the main a political labor movement, that is, an advocating of political action. This is the moderate center of the British Labour Party.

The British Labour Party itself, and the Inter-Allied Congress, especially, behind these resolutions, are composed of many discordant elements. It is remarkable that agreement was so far secured, for beyond them is wide divergence in aims, purposes, and methods. There are local and more general organizations that endorse

<sup>1</sup> See Kellogg and Gleason: "British Labour and the War," pp. 382-83.

sabotage, strikes, "ca'canny" methods,—all forms of industrial action. Pressure of circumstances, such as the continued high cost of living, might in a brief time squeeze a majority out of the moderate "center" into the radical "left." British, French, and Italian experience since the armistice has shown frequently a quick resort to direct industrial action.

The conclusion clearly is that in this new, unified movement, international in character, there is a combination of the political and industrial methods. In order to swing enough radicals from the Left and conservatives from the Right to make up a moderate Center majority, such a combination was necessary. So successfully was it done that neither the radicals under Robert Smillie's leadership nor the pure Trade Unionists, like Hughes of Australia, nor the German-hating seamen's unions, nor the red-dyed Socialists could break it up. It was this compromise policy that carried the day in time of war, that was re-endorsed in the more favorable military situation of September, 1918, and that most potently influenced the Peace negotiations.

### § 3. THE INTERNATIONAL LABOR MOVEMENT AND THE PEACE CONFERENCE

The Inter-Allied Labor and Socialist Congress had not neglected to equip itself with the proper machinery of organization to carry on its work. A committee of three was appointed (*a*) "to secure from all the Governments a promise that at least one representative of Labour and Socialism will be included in the official representation at any Government Conference," and (*b*) "to organize a Labour and Socialist Conference," international in character and including the Central Powers, for the purpose of discussing points of view. The members of this committee were M. Albert Thomas (France), M. Emile Vandervelde (Belgium), and Mr. Arthur Henderson (Great Britain).

It took some time after the unexpectedly sudden collapse of the German military organization to recover and get under way. A distraction to British labor occurred in the December election. Preliminary arrangements were finally made for an international conference of trade unions and of Socialists in Berne, Switzerland, for January



27, 1919. Delays arose that necessitated postponement until February 3d to 5th, when the Socialist International and the Trade Union International met as separate organizations but closely co-operating. The meetings do not appear to have had great significance. American and Belgian labor delegates refused to attend because delegates from the Central Powers were invited, while there was still technically a state of war.

The chief item reported from the International Socialist Congress was a resolution to the effect that the League of Nations, to be formed, should have representatives from the Parliaments and not from the Cabinets of States. There was otherwise an endorsement of the League of Nations idea.<sup>1</sup> This meeting also marks the resuscitation of the International Socialist Bureau.

The International Trade Union Congress opened on February 5th, with fifty-one deputies from fourteen countries. The main, tangible achievement of the trade union conference was the drafting of a labor charter. Since these so-called "demands" were largely met in the report of the Commission on International Labour Legislation working with the Peace Conference, their significance is not great. The points of importance are:

1. The immediate establishment of a League of Nations.
2. A charter of labor legislation designed to equalize industrial conditions in every country, and to remove as far as possible the economic antagonism of nations which leads to war.
3. A policy looking toward an understanding with the revolution in Central Europe and Russia.
4. The reconstitution of a strong international organization.

Since the Inter-Allied Congress in London, February, 1918, there had been persistent pressure for labor representation at the World Peace Conference. This desire was realized when, Saturday, January 25th, the delegates to the Paris Peace Conference resolved, "that a Commission composed of two representatives apiece from the Five Great Powers and five representatives to be elected by the other Powers represented at the Peace Conference be appointed to inquire into the conditions of employment from the international aspect and to consider the inter-

<sup>1</sup> *The Times*, February 8, 1919.

national means necessary to secure common action on matters affecting conditions of employment, and to recommend the form of a permanent agency to continue such inquiry and consideration in co-operation with and under the direction of the League of Nations."<sup>1</sup>

Members of this Commission were immediately appointed and met for the first time on February 1st. The work of this Commission<sup>2</sup> is familiar knowledge, but attention is called to it specifically in order to demonstrate that as a result of their labor there is now prepared the machinery in the International Labor Bureau for common international political action in the interests of labor.

The report falls into two parts: The first has to do with the International Labour Conference that is to meet "at least annually" for a frank and free discussion of labor problems. The first of these conferences is planned to be held at Washington, October 29, 1919. *Agenda* is already prepared for it.

The second proposal is for an International Labor Office to be established at the seat of the League of

<sup>1</sup> Report of the Commission on International Labour Legislation, Paris, p. 1.

<sup>2</sup> The Commission was composed as follows:

*United States of America:* Mr. Samuel Gompers, President of the American Federation of Labor; Hon. E. N. Hurley, President of the American Shipping Board. (Substitutes: Hon. H. M. Robinson, Dr. J. T. Shotwell, Professor at Columbia University.)

*The British Empire:* The Rt. Hon. G. N. Barnes, M.P., Member of the War Cabinet. (Substitute: Mr. H. B. Butler, C. B., Assistant Secretary, Ministry of Labour.) Sir Malcolm Delevigne, K.C.B., Assistant Under-Secretary of State, Home Office.

*France:* Mr. Colliard, Minister of Labour. (Substitute: Mr. Arthur Fontaine, Counsellor of State, Director of Labour.) Mr. Loucheur, Minister of Industrial Reconstruction. (Substitute: Mr. Léon Jouhaux, General Secretary of the Confédération Générale du Travail.)

*Italy:* Baron Mayor des Planches, Honorable Ambassador, Commissioner-General for Emigration; Mr. Cabrini, Deputy, Vice-President of the Supreme Labour Council. (Substitute: Mr. Coletti.)

*Japan:* Mr. Otchiai, Envoy Extraordinary, Minister Plenipotentiary of His Majesty The Emperor of Japan at The Hague. Mr. Oka, formerly Director of Commercial and Industrial Affairs at the Ministry of Agriculture and Commerce.

*Belgium:* Mr. Vandervelde, Minister of Justice and of State. (Substitute: Mr. La Fontaine, Senator.) Mr. Mahaim, Professor at Liège University, Secretary to the Belgian Section of the Association for the Legal Protection of Workmen.

*Cuba:* Mr. De Bustamante, Professor at Havana University. (Substitutes: Mr. Raphael Martínez Ortiz, Minister Plenipotentiary; Mr. De Blanck, Minister Plenipotentiary.)

*Poland:* Count Zoltowski, Member of the Polish National Committee, afterwards replaced by Mr. Stanislas Patek, Counsellor of the Court of Cassation. (Substitute: Mr. François Sokal, Director-General of Labour.)

*Czecho-Slovak Republic:* Mr. Benès, Minister for Foreign Affairs, afterwards replaced by Mr. Rudolph Broz.

Nations, that is, at Geneva, Switzerland. "It will be controlled by a Governing Body of 24 members. . . . Like the Conference, the Governing Body will consist of representatives of the Governments, employers and workpeople. It will include 12 representatives of the Governments, 8 of whom will be nominated by the States of chief industrial importance, and the remaining 12 will consist of six members nominated by the employers' delegates to the Conference, and six nominated by the workers' delegates."

The Labor Commission took this occasion also to make a pronouncement of what are called "declarations of principle in regard to matters which are of vital importance to the labor world." As they now stand they are to be incorporated into the Treaty of Peace:

"The High Contracting Parties declare their acceptance of the following principles and engage to take all necessary steps to secure their realization in accordance with the recommendation to be made by the International Labour Conference as to their practical application:

1. In right and in fact the labour of a human being should not be treated as merchandise or an article of commerce.
2. Employers and workers should be allowed the right of association for all lawful purposes.
3. No child should be permitted to be employed in industry or commerce before the age of fourteen years, in order that every child may be ensured reasonable opportunities for mental and physical education.

Between the years of fourteen and eighteen, young persons of either sex may only be employed on work which is not harmful to their physical development and on condition that the continuation of their technical or general education is ensured.

4. Every worker has a right to a wage adequate to maintain a reasonable standard of life having regard to the civilization of his time and country.
5. Equal pay should be given to women and to men for work of equal value in quantity and quality.
6. A weekly rest, including Sunday, or its equivalent for all workers.
7. Limitation of the hours of work in industry on the basis of eight hours a day or forty-eight hours a week, subject to an exception for countries in which climatic conditions, the imperfect development of industrial organization, or

other special circumstances render the industrial efficiency of the workers substantially different.

The International Labour Conference will recommend a basis approximately equivalent to the above for adoption in such countries.

8. In all matters concerning their status as workers and social insurance, foreign workmen lawfully admitted to any country and their families should be ensured the same treatment as the nationals of that country.
9. All States should institute a system of inspection in which women should take part, in order to ensure the enforcement of the laws and regulations for the protection of the workers.

It is well at this point to note one phase of the international labor movement not wholly in harmony with the majority opinion. The seamen were opposed to the Nottingham resolutions; they did not propose to have anything to do with the German workingmen until they were properly punished. This attitude resulted from the fact that the seamen had borne the brunt of the submarine campaign. They were thoroughly embittered by it. They objected to any British delegates going to a conference where German delegates were to sit; they refused to carry Mr. Arthur Henderson across the Channel. Their activities are worth attention because, contrary to the general trade union movement that has been traced, they stand solidly for industrial action. Note one significant resolution that passed the International Seafarers' Conference, held in London, February, 1919.

“Resolved, that this International Seafarers' Conference, to ensure to seamen of all nations the application of the minimum wage already approved, decide to retain in the harbors the ships whose owners refuse to pay that minimum wage.”<sup>1</sup>

The London Seafarers' Conference was adjourned on motion to meet a few days later in Paris. Opposition had already developed to joining with the Labor Commission there because it was felt that the seamen's problems were unique and not understood or appreciated by the landsmen, while the latter would be greatly in the majority. At this adjourned meeting in Paris it was decided to have no connection with the International

<sup>1</sup> Carried unanimously.

Labor Commission. The International Union of Seamen, therefore, stand today independent of other international labor organizations and in favor of industrial action to attain their ends. The individual seamen's unions, nevertheless, are nationally trying to legalize the minimum wage, the eight-hour day, and to standardize by means of legal enactment the conditions of employment.

#### § 4. CONCLUDING SUMMARY

In a broad view this was the political background of the situation that the Commission found in Europe. Running like a purple thread through the industrial unrest was this political influence. And yet so closely is it connected with industrial action that it is impossible to isolate it definitely. Every industrial activity has its political phase. Labor leaders were achieving political preferment. W. T. Cramp, of the National Union of Railwaymen, is reported as saying at the June, 1918, meeting:

"The position [of labor] cannot be met by industrial action alone. The incidence of taxation and many other problems must be fought out in Parliament."

Said J. H. Thomas to the Postal Unions, January 17, 1919:

"I want to see the political machine and the industrial machine working side by side. I want to see a strong Labour Party in Parliament."<sup>1</sup>

And, again, the same leader said to the National Union of Railwaymen on February 9, 1919, when they complained of the reactionary character of the coalition government:

"If it is reactionary, it is a reflex of your own intelligence. In a democratic country where men and women can exercise their political freedom, it is madness for them to try to do by industrial action what their own intelligence ought to have told them to do at the ballot box."

Labor leaders in Europe, and in Great Britain especially, have learned the political power that lies in industrial action. There is great political power, too, in the very mass of the labor movement. When even a substantial part of the five and a half millions of organized British workingmen can be swung behind a political demand the effect upon the attitude of government officials will

<sup>1</sup> *The Times*, February 18th.



be tremendous. Employers will find a pressure by the Government for granting the labor demand. There is also the more subtle method, largely psychological in character, of intimidation by means of industrial demonstration. Such, for instance, is the "silent strike" in France of Labor Day (May 1st), when every shop, every factory, every bakery, every mill, every bank was closed; when even the largest hotels were turned into "help-yourself" cafeterias, and when guests had to make their own beds, if they were made at all; when no car wheel turned, no bus, taxi, or tram ran on the street, throughout all France, for the sole purpose of demonstrating the essential importance of labor in all phases of modern life. This was labor "playing politics."

It entered the international phase when a movement was started to extend such a "silent strike" throughout the world of organized labor on July 20th and 21st. The plan was a failure because British and French labor would not endorse it, but it did materialize in a small way in local strikes here and there and in a considerable disturbance in Italy. The important fact is, however, that such ideas are in the minds of labor agitators. It is labor "playing politics" but with an organized machinery of great strength for good or ill. European employers have reason not only to feel irritation at these nagging methods, but also to have a bit of the "fear of God" in their hearts because of what may happen if labor should under stress of circumstances swing too far to the radical Left.

British employers interviewed by the Commission often complained of the fact that pressure was brought to bear upon them by the Government to accept the demands of workmen. The Whitley Scheme, for example, was adopted by some employers, under Government pressure, but with great reluctance. It would appear that some of the force behind this pressure was due to an antecedent pressure upon the Government by labor. Political action may work both directly and indirectly; that is, through a direct, immediate control of the Government, and by an indirect means through elected or appointed officials. Candidates may be led to make extravagant promises before election for political effect only to be sharply and insistently reminded of them after election. A coming election, too, like all other events, casts its shadow before it; officials who are looking to re-election

will be tempted to trim their sails to suit the political breeze.

An instance of the same thing occurred in France when a proposed eight-hour day law was before the Chamber of Deputies. Certain employers were led to believe that such a law prevailed or was to prevail immediately elsewhere, that it was useless to resist the inevitable. Between the pressure by labor from below and by the Government from above, they yielded with only the protest referred to elsewhere.<sup>1</sup>

The political action in labor matters is in Europe a double action. Forces are at work from below and from above. Organized labor is in politics to seek favorable legislation for itself. From above the Government for many reasons, and all political, is "suggesting" further "interference" in industry. The employer finds himself in the jaws of a political nutcracker, one jaw of which is organized labor and the other is Government. For the moment he seems caught in "the fell clutch of circumstance."

Political action, in its international aspects, aims at different sorts of changes. In so far as it is possible, with "due regard to climatic, geographical, and racial characteristics," these changes are to become standardized throughout the world of organized labor. One pathway taken by political action leads to standardized social reform. Changes of this sort affect society as a whole, as it lives rather than as it works. Examples are health insurance, unemployment insurance, education, housing.

Another pathway taken by political action leads to industrial changes. These affect the workers as workers, as producers. They likewise and therefore strike more directly into the managerial problem. Examples are the eight-hour day, the minimum wage, the nationalization of industry, and equal pay for men and women. The theory is that these are matters for legislation just as much as the problem of general social reform. When the theory is applied, it is found that a third party has been introduced into the bargaining process between employer and employee,—namely, the Government.

This, then, is the situation in Europe today. Labor has found a voice through the League of Nations to make

<sup>1</sup> See "French Political Labor Movement," p. 286.

itself heard round the world. It has the machinery now ready for international, co-operative political action, and it is awake to the potential power that lies here. Both the International Socialist Bureau and the International Federation of Trades Unions are busy reconstituting their organizations. Internationally and nationally, labor is in politics with its industrial weapon ready. America is not isolated from this movement, cannot remain aloof. It is a situation to be faced in all countries recently at war and in all neutral countries where labor is organized; it is spreading out to touch the uttermost parts of the organized labor world.

Organized labor, like "business," organized and unorganized, is "in politics." Both can now play the game fairly or unfairly, for good or for ill; it is the motive, not the means, that counts. How far political action can or will go in the attempt to make the necessary reconstructive adjustments is still an open and possibly an unconsidered question. There are undoubtedly problems not fitted for legislative action. Labor has today the advantage in a better organized international movement, a better machinery for international propaganda, and the stimulation of newly realized power. All political activity needs to be carefully considered and wisely led. There is always the danger that conservatives may obstruct or that radicals may mislead. In Europe today the instant rebound from political obstruction is industrial action. The safe course is the right attitude and spirit on both sides, a spirit of tolerance, of sanity, of "step-by-step" progress, of sincere co-operation and full and sympathetic understanding.

## CHAPTER XXI

### NATIONALIZATION OF BRITISH RAILWAYS

#### § 1. INTRODUCTION

It has been shown above<sup>1</sup> that there is much vagueness in the concept "nationalization." It has clinging to it certain historical associations, certain socialistic preachments, certain war emergency measures that are confusing. Latterly, too, it has begun to take on a new and radical significance. The various interpretations of the term as used today will fall into one or the other of three general aspects:

1. Nationalization may mean a continuation, in whole or in part, of the wartime control of industry; that is, the greatly extended system of "governmental regulation" of business which came into being with the exigencies of the times.

2. There is, too, the proposal by some citizens for "government ownership and operation." This means that the national government, as now constituted, shall acquire ownership outright of at least the more important industries and will operate them by its own agents in the public interest.

3. The newest phase which this term has assumed is that the national government, not as it has been or is, but as it is proposed presently to make it, shall take possession of at least the more important industries and shall operate them not by its accustomed agents but by associations of the workers in these industries. This is "ownership by the state and management by the workers" and marks the introduction of a new principle.

#### § 2. METHOD OF APPROACH

It is proposed in the following discussion to show what has been done, in actual practice, in the process of nationalization in Great Britain and what demands are being made by British organized labor for the future in

<sup>1</sup> Chapter I, p. 13.

this regard. The subject will be approached through a study of British experience with "nationalized" railroads, of the demands for a nationalization of British coal mines and other "key industries."

### § 3. GOVERNMENT CONTROL OF BRITISH RAILWAYS

Within twenty-four hours after Great Britain declared war on Germany, the British Government, under pre-existing legislation, took possession of practically the whole railway system of the country. A Railway Executive Committee was appointed, under whose direction the several general managers of the leading British railways were to work. The administrative personnel was retained to carry on the actual operation of the roads. Between these operating officials and the military authorities, the Railway Executive Committee formed a liaison.

At once Government traffic had priority on all railway lines. In accordance with prearranged plans the passenger trains were mobilized and within the space of ten days carried to the Channel 120,000 troops "without a hitch."

"War broke on August 4th. Ten days later the first British Army, 120,000 strong, were in France with full equipment and supplies. Under the mobilization schedules prepared years before the war, trains were operated at fixed intervals and came into Southampton every twelve minutes for sixteen hours of every day, or from dawn until dark. The regulations provided that if a train were over twelve minutes late, it should lose its turn on the schedule and should be sidetracked until the whole troop movement was completed. Not a single train lost its turn. In fact, most of the trains arrived at Southampton from twenty to thirty minutes ahead of schedule. This one movement of the first Expeditionary Force called for 1,500 trains."<sup>1</sup>

After this first flurry and in accordance with the dictum that business should go on as usual, the Executive Committee announced that there would be no further serious restriction on railway traffic, and that business men might expect to carry on their usual transactions. A determined effort was made during the early months of the war to keep business at a normal level, in spite of the Govern-

<sup>1</sup> Dixon and Parmelee: Carnegie Endowment for International Peace. "War Administration of the Railways in the United States and Great Britain," p. 104. Oxford University Press, 1918.



ment's first call for right of way. The *London Railway News* is quoted as follows:

"There was also a steady movement in favor of the resumption of some of the curtailed facilities, . . . when the initial uncertainty and alarm settled down. Gradually normal conditions were restored."<sup>1</sup>

Gradually, however, during the succeeding years of the war, one restriction after another was imposed, while business was compelled to adjust itself to war conditions.

As a whole, on the operating side, the British roads made a good record for efficiency during the war. They handled 40 per cent more traffic than they were built to handle, and did not break down under the strain. The general public was, of course, inconvenienced, especially with regard to passenger traffic, and there was much grumbling about it. But the necessary transport business of the country was performed and with very few accidents. This feat was accomplished notwithstanding the grand error at the outset of the war of allowing half of the male employees of military age to volunteer to the colors. Many were returned later to their essential civilian employment, but to the end of the war the roads had to operate with a largely untrained and an inadequate staff. Altogether the record of operating efficiency under these conditions was most creditable. The Government had a share in this accomplishment through its measures of unification; but here also, and here alone, the companies, as private business organizations, had some degree of responsibility and influence.

The service to the Government by the British railway system was of high efficiency. How the railways met the first mobilization demands has already been indicated.

"Their military transportation work throughout the whole war has been of the same high order. They contributed thousands to the colors, many of whom served in France in the construction, reconstruction, or operation of war railways. They loaned equipment to be shipped cross-channel, and contributed bridges and even rails and ties from out their own roadbeds. In fact whole branch lines were in some cases torn up and transported bodily to France. They loaned skilled men to munition works and other branches of war industry.

<sup>1</sup>Dixon and Parmelee: *Carnegie Endowment for International Peace. "War Administration of the Railways in the United States and Great Britain,"* p 110. Oxford University Press, 1918.

Skilled boilermakers from some of the railway shops were detailed to service in naval dockyards."<sup>1</sup>

On the financial side, however, British railways broke down utterly during the war. That is, they emerged from the war, on high Government authority, "financially in a semi-paralyzed state." For this the Government had sole responsibility. The principle that distinguishes a private business enterprise from a Government enterprise, particularly when the Government operates in wartime or other emergency, is that private enterprise runs on a basis of costs, while the Government enterprise is judged by effectiveness, by accomplishments, whatever the cost. Nevertheless, when peace times return the Government operation will be tested on the basis of costs relative to revenues. It is the judgment by this standard that declares the British railway system financially semi-paralyzed.

Government traffic not only had right of way over ordinary traffic but, to simplify accounting, it was carried free of charge. Also, the accounting was much simplified with respect to commercial traffic. For example, prorating between the different companies ceased; each company took and kept as revenue the charges for such private traffic as originated on its own line. In return for the services rendered it without direct payment, the Government guaranteed dividends and interest to the several companies, using the year before the war as the standard. By as much as the net income of any road fell short of covering its 1913 fixed charges and dividends, the Government made up the deficit.

The question of the financial success of governmental wartime control of British railways has been obscured by a rather inconsequential debate over what sort of a "bargain" the Government had made with the railway companies. There have been complacent statements in high quarters that the result showed that the Government had made "a very good bargain."<sup>2</sup> Although comparatively unimportant, it is worth while to go into this subject somewhat to correct an error. The basis of the supposed "good bargain" is to compare what the Government paid on its guarantee of interest and dividends with the

<sup>1</sup> "War Administration of Railways in United States and Great Britain," pp. 107-8.

<sup>2</sup> Mr. A. Bonar Law, speaking for the Government in 1916.

value ("at pre-war authorized rates") of what it received in the way of transport services performed by the railways without direct compensation. For the war period the aggregate of the unpaid-for services of the railways in round figures is \$545,000,000 and the aggregate of the Government payments on guarantee is \$464,000,000.<sup>1</sup> The difference of \$81,000,000 looks like a saving which the Government made by reason of its financial arrangements with the roads.

But two considerable items have been omitted from this brief statement of the account. On the one hand, there were additional services performed for the Government without direct charge, by the "steamboats, docks, and canals" owned by the railways, estimated roughly at a maximum of \$73,000,000; and on the other hand, there was a suspense account due the railways for "eventually making good the extra wear and tear arising from additional traffic" (and for adaptation of equipment and replacement of stores), estimated to be perhaps as much as \$195,000,000.<sup>2</sup> Thus, the corrected revenue and expense account for the Government on this transaction shows, in place of a gain of \$81,000,000, a loss of about \$41,000,000. And this is for the period of the war only, ending with 1918. For the two years following the close of the war, the scale will turn more heavily against the Government. The guarantee of the Government continues in full force and the expense of operation has increased so enormously that the Government will have to meet this guarantee in full. During the war in spite of rising costs, and the impediment of Government "priorities," the railways were able to earn from their ordinary traffic up to 1918 considerable sums (\$492,000,000 in the aggregate) toward meeting their fixed charges.

The complete record for the period of the war and for 1913, the year used as the basis for guaranteed returns, is shown in the following table taken from the British *White Paper*:

<sup>1</sup> The pound sterling is reduced to dollars by multiplying by 4.86.

<sup>2</sup> *White Paper* of the Board of Trade, entitled "Railway Working During the War" (Cd. 147), as condensed by Mr. J. H. Parmelee, footnote to Table 4. This Suspense Account of nearly \$200,000,000 for "extra wear and tear," etc., is additional to the deferred maintenance "arrears to be carried out"—with respect to permanent way and rolling-stock which the railways were permitted to charge to Income Account and which for the whole period of the war aggregates \$168,000,000. (Compare Table 1 of the *White Paper*, see p. 333.) From other evidence, also, it is clear that the plant of the British railways has come out of the war in a very much rundown condition.

TABLE I: REVENUE EARNED AND EXPENDITURE OF BRITISH CONTROLLED RAILWAYS IN RESPECT OF RAILWAYS WORKING FOR THE YEAR 1913 AND FOR THE PERIOD OF GOVERNMENT CONTROL TO DECEMBER 31, 1918

Item	Year 1913	Period of Government control				
		Period Aug. 5 to Dec. 31, 1914	Year 1915	Year 1916	Year 1917	Year 1918
<b>RECEIPTS:</b>						
1. Passenger train traffic . . . . .	\$263,258,544	\$2,906,852	\$255,865,172	\$267,432,819	\$290,579,606	\$339,775,453
2. Goods train traffic . . . . .	333,005,889	130,721,782	349,192,559	364,061,161	361,632,379	352,317,124
3. Estimated amounts which would have been received for government traffic if charged for at pre-war authorized rates	—	—	—	—	—	—
4. Total . . . . .	596,864,433	17,032,750	50,023,200	100,488,972	173,727,013	203,989,198
5. Less expenses of collection and delivery . . . . .	24,783,478	240,661,384	655,080,991	731,982,952	825,938,998	896,081,775
6. Total traffic revenue earned . . . . .	572,080,955	9,493,651	25,996,220	27,794,304	31,981,353	38,182,204
7. Mileage, demurrage and wagon hire . . . . .	733,279	231,167,733	629,084,771	704,188,648	793,957,645	857,899,571
8. Miscellaneous . . . . .	4,843,866	8,366	47,905	44,358	24,128	—
9. Total revenue earned . . . . .	577,658,100	2,017,763	5,254,745	5,648,629	5,484,073	6,314,527
<b>EXPENDITURE:</b>						
10. Maintenance and renewal of way and works . . . . .	57,513,806	22,501,299	56,442,806	58,030,380	64,557,091	78,570,450
11. Maintenance and renewal of way and works—arrears to be carried out . . . . .	—	3,894,485	14,525,320	24,603,121	30,572,224	31,560,362
12. Maintenance and renewal of rolling stock . . . . .	64,518,193	26,734,000	66,871,409	74,027,354	85,752,134	106,519,110
13. Maintenance and renewal of rolling stock—arrears to be carried out . . . . .	—	1,533,118	12,033,118	15,855,910	17,850,288	16,191,084
14. Locomotive running expenses . . . . .	83,366,362	33,069,654	93,417,295	110,002,780	120,411,070	145,866,846
15. Traffic expenses . . . . .	113,198,513	45,772,250	120,393,039	133,332,206	159,488,943	202,551,930
16. General charges . . . . .	12,644,184	5,328,418	12,825,904	13,100,939	14,044,543	15,284,942
17. Law charges and parliamentary expenses . . . . .	1,101,513	433,308	959,917	909,072	859,020	904,254
18. Compensation (accidents and losses) . . . . .	5,637,602	1,429,583	5,727,179	6,087,573	6,205,717	7,087,717
19. Rates, taxes, etc. . . . .	22,898,167	10,108,261	24,644,185	23,552,395	23,752,306	25,661,809
20. Government duty . . . . .	1,383,843	394,678	1,242,617	1,426,731	1,763,323	1,730,021
21. Payments under National Insurance Act, 1911 . . . . .	1,941,400	755,242	1,769,712	1,723,354	—	—
22. Running powers . . . . .	Cr. 528,984	Cr. 3,947	15,933	18,522	Cr. 5,884	Cr. 8,103
23. Mileage, demurrage and wagon hire . . . . .	1,167,551	136,875	248,853	223,669	311,174	806,598
24. Miscellaneous . . . . .	764,717	363,635	927,745	1,010,266	1,230,198	1,656,518
25. Allowances to dependents of men serving with H. M. forces	—	689,500	1,621,640	2,323,389	3,033,752	3,460,125
26. Watching, patrolling, etc. . . . .	—	928,192	103,365	42,348	28,518	34,684
27. Payments to staff—Armistice day . . . . .	—	—	—	—	—	1,221,068
28. Total expenditures . . . . .	365,006,567	154,671,151	413,790,037	466,000,009	529,854,456	639,099,415
29. Balance of revenue earned over expenditure . . . . .	212,051,533	78,522,711	220,597,384	243,881,626	269,611,390	225,114,683

Source: "Railway Workin During the War"—Great Britain—(Pounds converted to dollars)



The condensed income account of British railways for the period 1913–1918 is given on page 335. It will be seen that the operating revenues increased from \$577,658,100 in 1913 to \$611,557,876 as an annual average for 1914–1918, or 5.9 per cent. This latter figure, however, includes no payments for Government traffic. Operating expenses increased from \$365,606,567 in 1913 to \$499,842,356 as an annual average for 1914–1918, or 36.7 per cent. The net revenue fell from \$212,051,533 in 1913 to \$111,715,520 as four-year average, or 47.3 per cent. This figure includes no payments for Government traffic. The Government paid on its guarantees an annual average of \$105,222,441.

The matter of supreme importance respecting railway finance in England during the war was not the inconsiderable profit or loss of the Government, but the fact that the whole railway system came out of the war financially wrecked — in “a semi-paralyzed state,” again to quote Sir Eric Geddes.<sup>1</sup> There were several reasons for this outcome. For one thing the railways were not allowed to raise their rates for ordinary freight traffic during the war.<sup>2</sup> In 1917 the passenger rates were raised 50 per cent, not so much for the purpose of increasing revenue as to discourage travel. Freight rates remained stationary in spite of the rapidly increasing operating expenses. This last consisted chiefly in the enormous advance of wages to railway labor. It is conceded by all authorities that British railway wages before the war were very low — far lower than in the United States — and insufficient to afford decent living conditions. Also it is conceded that special war advances in wages were necessary to enable the earnings of railway workers to compare favorably with the earnings of the munitions workers. It is a question, however, whether the advances of railway wages owing to political influence were not needlessly excessive. However this may be, the result of the successive concessions to labor was that by the end of the war the *increase* of wages amounted to more than the total payroll before the war. And this was not all. The movement had acquired a momentum so that operating expense for labor continued to mount upward after the

<sup>1</sup> *London Times*, March 18, 1919, verbatim report of the debate on the Ministry of Ways and Communications Bill.

<sup>2</sup> In the course of time this caused the railways to undercut so much the coastwise traffic as to cause, even after the war, great unnecessary congestion on the railways.



TABLE 2: CONDENSED INCOME ACCOUNT OF BRITISH RAILWAYS

(From *Railway Gazette*, May 16, 1919, pp. 822-23)

Item	Year 1913 (Standard for government guarantee)	Annual average		Period		Year 1916	Year 1917	Year 1918
		Aug. 5, 1914 to Dec. 31, 1918	Aug. 5, 1914 to Dec. 31, 1915	Aug. 5, 1914 to Dec. 31, 1915				
Operating revenue . . . . .	\$577,658,100	\$611,557,876	\$800,525,273	\$609,392,663	\$625,738,833	\$660,224,901		
Operating expenses . . . . .	365,606,567	499,842,356	568,461,189	466,000,010	529,854,456	639,099,415		
Net revenue . . . . .	212,051,533	111,715,520	232,064,084	143,392,653	95,884,377	21,125,486		
Government payments on account of guarantee . . . . .	—	105,222,441	77,605,292	68,324,074	117,164,725	200,749,578		
Adjusted net revenue . . . . .	—	216,937,961	309,669,376	211,716,727	213,049,102	221,875,064		
Estimated amount Government would have paid for war traffic if charged for at pre-war authorized rates . . . . .	—	123,691,918	67,056,010	100,488,972	173,727,013	203,989,197		

NOTE: In addition the railways performed services by means of steamboats, docks, canals, etc., for which no charges were made. The value of these services is roughly \$48,665,000 to \$72,997,500. On the other hand, the cost of eventually making good the extra wear and tear arising from additional traffic will approximate a large amount, perhaps as much as \$194,660,000 for the period of control.

war was over. And to this is to be added the increase of other operating expenses beside that for labor.<sup>1</sup>

In the recently published *White Paper* of the Board of Trade already referred to, one finds the following Table 3:

STATEMENT OF ESTIMATED INCREASED COST IN WORKING RAILWAYS DURING THE FINANCIAL YEAR ENDING MARCH 31, 1920, AS COMPARED WITH THE YEAR 1913

War wage and other concessions . . . . .	\$277,000,000
Eight-hour day and new concessions recently granted or still under discussion . .	\$97 to 121,000,000
Extra cost of material and coal . . . . .	131,000,000

\$505 to \$529,000,000

It was evidently upon the basis of the foregoing table that Sir Eric Geddes made the statement, which attracted such wide attention, in his speech of March 17th, on the second reading of the Transport Bill, that "today the railways are being worked at a loss of something like a quarter of a million [pounds] a day — a hundred million [pounds] a year." There followed immediately an expression, not so widely quoted, that showed that it was not *net loss* but *increase of cost* of which Sir Eric Geddes was speaking; "the best estimate I can get is somewhere about £90,000,000 or £100,000,000 [\$437,000,000 or \$486,000,000] in increased cost." But later in the speech he returned to the first form of statement:

"Up to the time of the armistice, the Government traffic practically made up [offset] the deficit, but since the armistice the deficit on railways has been steadily increasing. That makes the £90,000,000 or £100,000,000 a year which are short."

Now to get the true "loss" or "deficit," obviously, one must deduct the increase of revenue from the increase of costs. During the war the revenues of the railways, as shown by Table 1 of the *White Paper* increased by \$83,000,000.<sup>2</sup> With the normal growth of business and especially if reasonably increased freight rates were put into effect, in the future one might expect that the increase of traffic revenue might still further offset the increase in operating costs inherited from the war. Both in Sir Eric Geddes's speech on the Transport Bill and elsewhere, there seems to have been a tendency on the part of those favoring Government control to paint the picture

<sup>1</sup> A general railway strike was called September 27th, for further wage increases.

<sup>2</sup> Exclusive of what never should have been included in the Table—"the estimated amounts which would have been received for Government traffic if charged for at pre-war authorized rates." Cf. p. 333.

of the financial condition of the railways, present and future, in unduly black colors. But the actual situation is certainly bad enough. The books of the railways of Great Britain collectively are far from balancing. There is the vital question: What is to be done to meet a situation which is, admittedly, on all hands, "very serious"?

Actual expenditures charged to "maintenance and renewal of way and works" increased 36.6 per cent in 1918 as compared with 1913, while the annual average was 10.5 per cent greater than in 1913. "Maintenance and renewal of rolling stock" increased 65.1 per cent in 1918 over 1913, the annual average being 26.5 per cent greater than in 1913. These charges for the war period were unduly low because maintenance was necessarily deferred on account of lack of adequate supplies of labor and materials; the Government therefore permitted the railways to charge to expenses and set up in the form of reserves, each year, such sums as could be used eventually to repair the wear and tear that arose from heavy war traffic. These sums (which appear in Table 1 as "arrears to be carried out") aggregated \$105,155,512 for maintenance of way, and \$63,215,518 for maintenance of rolling stock, or a total for maintenance arrears of \$168,371,030, the annual average being \$38,184,789. A large part of the \$168,371,030 reserve thus set up has been invested in Government War Bonds, until such time as the renewals can be carried out.

TABLE 4: MAINTENANCE EXPENDITURES FOR THE YEAR 1918 AND ANNUAL AVERAGE FOR THE WAR PERIOD AS COMPARED WITH 1913

Item	Year 1913	Annual Average Aug. 5, 1914 to Dec. 31, 1918	Year 1918	Per cent of Increase	
				Annual Average over 1913	1918 over 1913
Maintenance and renewal of way and works . . . . .	\$57,513,806	\$63,540,846	\$78,570,450	10.5	36.6
Arrears to be carried out . . . . .	—	23,854,416	31,560,362	—	—
Total charge . . . . .	57,513,806	87,395,262	110,130,812	52.0	91.5
Maintenance and renewal of rolling stock	64,518,193	81,643,976	106,519,110	26.5	65.1
Arrears to be carried out . . . . .	—	14,340,373	16,191,084	—	—
Total charge . . . . .	64,518,193	95,984,349	122,710,194	48.8	90.2
Total—Maintenance	\$122,081,999	\$183,379,611	\$232,841,006	50.3	90.8 <sup>1</sup>

<sup>1</sup> Condensed from *British White Paper*, by Julius H. Parmelee.

The remedy for the exceedingly difficult situation urged by Labor and some others has been "nationalization." On the other hand, there have been conservative constructive measures suggested, such as the bill put forward by the Federation of British Industries. The remedy which has been adopted, being embodied in the Government's Ministry of Ways and Communication Bill (the Transport Bill) already referred to is disguised nationalization. As this Report of your Commission is being prepared for the press, it is announced that the Transport Bill, considerably amended, has passed and under it Sir Eric Geddes has been designated as the first Minister of Transport. The very sweeping powers of the new Minister over not only railways, but roads, tramways (other than municipal), docks and harbors and canals, are conferred in terms for only two years. Ostensibly it is a temporary measure to meet the present crisis; also, it is ostensibly a measure confined to "control" or "unification," with some limited powers of construction and purchase. The private companies are still "to run" the roads but under the co-ordinating authority of the Minister, who also has authority over rates and fares to be charged and wages and salaries to be paid. The owners of the roads are still owners at law with their incomes guaranteed. Ostensibly the question of whether the country is to have strict nationalization of the railways or not, is to be decided by Parliament at the end of the two-year experimental period.

In fact, however, the die has been cast; the decision has been made. So eminent a critic of the Government's measure as Mr. W. M. Ackworth, himself favorable to the bill, has discussed the subject at length in an article in the *Quarterly Review* for July, 1919, which reveals fully the true action taken. Mr. Ackworth at first seeks to direct his arguments to a defense of "nationalization as an *interim* measure, at least, though not necessarily as a permanent policy," but he ends with outlining the best forms of administration to be set up "on the assumption that nationalization has to come" and the process has to be "carried through." His article as a whole "smacks" of permanent nationalization. Mr. Ackworth was a member of the "Railway Advisory Panel" appointed by the Board of Trade in November, 1917, "to consider the question of the future of the railways." In the *Review* article here referred to he elaborates the

arguments in favor of the Transport Bill previously enunciated by Sir Eric Geddes in his speech in Parliament.

In outline they are as follows:

1. If the railways are ever to pay their way again, there must be revolutionary changes

2. On the one hand, receipts must be largely increased; on the other hand, expenses must be greatly reduced.

3. "That the higher charges are made on the authority of the state for the direct benefit of the taxpayer is the only ground on which we can expect them to be submitted to."

4. The chief reliance in restoring equilibrium must be increased economies reducing the expense of conducting transportation.

5. This last can be achieved only by an engineering reconstruction of permanent way and equipment, and other extensive measures of standardization, which will make possible as heavy train loads and low ton-mile costs as the geographical conditions of England permit.

6. But "long trains of fully loaded trucks mean less rapid dispatch of traffic." English traders accustomed to an express service "at goods rates" will find their "hereditary methods" in this and in other particulars seriously interfered with. In like manner the traveling public must submit to marked "reductions in facilities formerly given."

7. With respect to shippers and passengers alike "the state alone can face and overcome their recalcitrance."

This last is the distinctive idea in the whole line of argument employed by Mr. Ackworth. Vast changes in the conduct of British railroading must be made which will raise vast objections on the part of the public; and the state alone can meet those objections.

The distinctive feature of Sir Eric Geddes's defense of the Government's measure is the necessity of "unification," not only of the railways but of the whole system of transportation of Great Britain — canals, roads, docks, and harbors, — everything that has to do with land transportation.



“The era of competition is gone. . . .”

“The transportation agencies of the country today are barren and paralyzed. . . .”

“We have got to trust somebody or some one to get co-ordination.”<sup>1</sup>

And that somebody, it is assumed, must be the state; the state alone *as manager*, — not merely as a helper of private enterprise by means of appropriate legislation.

The chief subject handled by both, on which Mr. Ackworth and Sir Eric differ, is the possibility of finding relief to a considerable degree from raising freight rates. Sir Eric waives that consideration and looks solely to economies from unification, etc. Mr. Ackworth says “there is no question that goods rates will have to be drastically raised.”

In the Parliamentary debate on the second reading of the Transport Bill, March 17, 1919, the strongest plea in opposition was put forward by Mr. M. Stevens, one of the largest shippers of England. He maintained that great changes in economy in working the railways were indeed called for and possible. He denounced strongly the competitive waste of present methods which should be remedied by thoroughgoing reforms. But, he held that these improvements could be accomplished without even temporary nationalization. One-half the huge increase of wages which accounted for Sir Eric's loss of £100,000,000 a year was spent, he said, on services which “had nothing at all to do with the conveyance of traffic by the railways.” If the railways would do “what the traders had urged for years,” that is, “make a separate rate charge for conveyance,” and also cease doing “carting or any terminal services below cost,” it would be found that “the loss of £100,000,000 would be rapidly reduced.” He ended by suggesting that the bill which had been prepared by the Federation of British Industries be taken up and given a second reading.

Apparently the plans opposed to the Government's scheme were given scant consideration. The Transport Bill virtually committing Great Britain to ultimate

<sup>1</sup> Not merely financially paralyzed, as stated elsewhere in the speech, but suffering from long-standing retarded development. Examples of the fact of retarded development of railways in Great Britain could be multiplied. For instance, the 700,000 privately owned freight cars (half the total number) which occasions non-standardization of brakes, etc., and an enormous return-empty mileage. The Minister will have power to buy out the private car owners.

nationalization of railways, and all other means of land transport as well, was passed practically as a piece of "panic legislation." The country was appalled by the existing railway financial burden; it was believed that that burden must be chiefly removed by transport economies; it was assumed that those economies could only be achieved on a sufficient scale through the unifying control of the Government. Mr. Ackworth is too deep a student of the world's railway history not to realize that something more than assumptions are needed with respect to "economies" to be realized at the hands of the Government. "Five-sixths of the upper and middle classes," he says, "on principle object to state management." They ask: "What is the use of talking of economy? The Government with its bureaucratic, dilatory, red-tape methods, will dissipate through inefficiency all the theoretical economies on which you lay stress." The answer which Mr. Ackworth makes to this objection is significant indeed: the Government is now going to succeed in this vast undertaking (it is going to "face and overcome" the popular disapproval which previously he had mentioned as the great obstacle to economy) by adopting new methods which mean in effect the abandonment of democracy. "Subject to the general approval of Parliament," we read, "the railways must be an almost autonomous service, conducted on other than civil service methods, and left to work out their salvation with something of the same freedom which the Home authorities concede to commanders in the field." In short, a semi-military autocracy is to do the trick of achieving economies where they have never been achieved before.

The powers originally granted by the Transport Bill were so sweeping that British public opinion practically rebelled against them. The right of proceeding under Orders in Council "to establish, maintain, and work transport services by land or water" has been eliminated from the measure as enacted, and also power over "the supply of electricity." Not the least significant of the items omitted is the following, which stood in the original draft of the bill:

"Any rates, fares, tolls, dues, and other charges, directed by the Minister shall be deemed to be reasonable, and may be charged, notwithstanding any statutory provisions limiting the amount of such charges or increases therein."

This clause as revised now reads:

“Notwithstanding anything contained in this Act the rights of a consignor or consignee of goods or minerals . . . under the Railway and Canal Traffic Acts . . . shall not be deemed to be affected.”

The demand for the nationalization originated with the Labour Party. Encouragement of a campaign sort came from the Coalition Government prior to the last elections, but with the formation of the Ministry of Ways and Communications the measure was more or less sidetracked. The present Government shrinks from the responsibility of direct ownership and control. British individualism, finding strong expression through the shippers, needless to say, is opposed to nationalization. As one man conversant with the situation has said:

“Whether or not we shall have government ownership depends entirely upon what happens in the next two years. The Ministry of Ways and Communications will certainly do everything possible to avoid it. Much depends upon the financial position. If it is found that at the expiration of two years the railways are fairly self-supporting and in no great financial danger, they will probably be returned to the proprietors but with a considerable and, I think, beneficial degree of elimination of unnecessary competition, the general pooling of wagons, collective purchasing, and a number of other things which will tend to reduce operating costs and which, for that reason, will be highly beneficial. There are altogether too many railway companies in England and a great deal could be saved in administration and overhead charges if consolidation took place. It is quite possible that for operating and administrative purposes we shall see the railways of the United Kingdom grouped in from five to seven districts, each under the direction of a general manager and headquarters staff.”

## CHAPTER XXII

### NATIONALIZATION OF BRITISH COAL INDUSTRY

#### § 1. INTRODUCTION

Her ability to produce coal cheaply and to employ it in the manufacture of raw materials has been the foundation of Great Britain's industrial supremacy. She is primarily a manufacturing and exporting nation. Her trade and industry have had two phases. Aided by the ownership of a large proportion of the world's shipping and by a free trade policy, she has bought raw and partly manufactured materials and brought them to her factories for manufacture, in successful competition with nations whose raw materials lay closer at hand. Further, aided by cheap coal and cheap labor, she has been able to manufacture these materials and export them.

Her people are, consequently, employed mainly in industries, the products of which must be sold on the markets of the world. A shrinkage in demand for these products tends to produce unemployment, business paralysis and national loss. Such a shrinkage could result from the ability of other nations to supply goods to foreign markets at a lower price, or from the inability of Great Britain to continue to produce as cheaply as she formerly produced.

Her industrial supremacy has, by no means, remained unchallenged. Prior to the war, Germany was putting cheaper goods upon many markets, even in the British Dominions, where cheapness counted. The United States of America were challenging her manufacturers with products manufactured by high priced labor which was so efficient as to reduce the labor cost per unit, and thus render their competition a serious matter for British foreign trade.

The war, however, dealt a serious blow to her export trade. Her tonnage in ships was greatly reduced by the submarine losses, and by the transportation of soldiers and war material. As a consequence there was a diminution in the volume of her export trade. Export restrictions

swept some of it away at a stroke. The heavy demands upon her factories to supply war demands turned them to domestic production, primarily. Her mounting war debt, while not converting her entirely from a creditor to a debtor nation, yet caused her to borrow abroad, after disposing of a large quantity of foreign securities. The condition of her public credit, therefore, increased the urgency for larger quantities of exports. At the same time her former markets were going to other countries. The United States entered South America; Japan pushed her goods in the Orient. In sum, the war ended with a great challenge to the foreign trade of Great Britain.

But the two elements of her former success in manufacture no longer existed. Cheap labor, as the foregoing chapters of the report have shown, had acquired a new status. Cheap coal seemed to have gone forever. The situation in the coal industry was such as to create national concern. The miners of the country, in January and February, 1919, asked for an advance of 30 per cent in their wages and a decrease of the working-day from eight hours to six hours, with the application of the principle of nationalization to the ownership of the mines.

The significance of this demand arose in part from the character, powers, and strength of the Miners' Federation. This body consists of 800,000 mine workers, covering fully 95 per cent of those employed around mines. Strong numerically, they have been, further, most aggressive and truculent. They have never been so amenable to the processes of compromise and conciliation to which even some of the most militant unions submitted during the war. Thus, they refused to sign the Treasury Agreement, March, 1915, being unwilling to surrender the right to strike. By a series of strikes from August, 1914, onwards against the employment of non-unionists, they forced their employers to agree to compulsory unionism. The compulsory arbitration of the Munitions Act repelled them, since the Coal Mines' Minimum Wage Act, which had been passed in 1912 to settle a disastrous strike, had given them machinery for the voluntary settlement of disputes.

In July, 1915, the miners of South Wales struck and compelled the Government to proclaim them as coming



under the provisions of the Munitions Act. This did not ensure either continuity of production or industrial peace, and in December, 1916, the Government, under the authority of the Defense of the Realm Act, took control of the mines of South Wales, at the same time conceding the miners a substantial increase in wages. The rest of the coal fields of Great Britain were proclaimed under Government control in March, 1917. Throughout the war, then, they had given considerable trouble to the country and the national Government, and had seriously hampered the production of munitions.

Important as the coal mining industry is to the nation, and serious as a nation-wide strike within it would be, the situation had been intensified since the formation of the Triple Industrial Alliance in December, 1915. By this amalgamation the coal industry came to occupy a strategic position in the British world of industrial relations. In this Triple Alliance the miners are predominant, because of their numbers and because their President, Robert Smillie, is also the chairman of the Alliance. These three associations of miners, railway men, and transport workers are pledged to take joint action on a subject of industrial dispute, and could, probably, effectively stop the wheels of industry. Under this threat the potential damage the miners might inflict compelled serious attention to their aims.

The demands they made in February, 1919, were obviously such as to exercise also a far-reaching effect upon industry. An increase in wages of 30 per cent and a reduction in working hours of 25 per cent could not but have the effect of increasing the cost of coal beyond a price that was already abnormally high. This increase in cost of coal would influence cost and quantity of production in iron, steel, machinery, and shipping, and materially reduce the volume of exports. Should the new price of coal prove to make its export unprofitable, more than one-tenth of the former foreign exports of the country would have been lost at a stroke. Freights on raw materials and food would be considerably increased. A general increase in the prices of goods produced for the home market and a rise in the cost of living would result. Even without the impetus and impulse of direct invitation, this advance in the cost of living would inevitably result in demands for increased wages in other industries. In certain of these industries, where labor

costs formed a considerable item, these increased wages would prove more serious than the effect of the increase in the price of raw materials and other cost-determining factors which had resulted from the war.

In view, therefore, of the far-reaching effects which an increase in the price of coal might have upon industry in general, the Government refused at first to make any considerable advance in wages. In order to bring the advance in miners' wages during the war to a parity with the advance in the cost of living, the Minister for Labour replied to their demand with an offer of an addition of one shilling per day to the war bonus of 18 shillings per week which miners in general were receiving. In appearance this was an advance of  $33\frac{1}{3}$  per cent. But what the miners were asking for was an advance of 30 per cent upon their earnings, according to the complicated sliding scales in vogue, upon which the war wage would still remain a bonus. Their demands exceeded the offer made them by as much as their earnings exceeded the war bonus. As the government offer took no account of their other demands for reduced hours and the nationalization of the mines, the miners determined by an overwhelming majority to strike and fixed the date for their withdrawal from the mines.

The situation was too serious to allow matters to drift. While the miners' demands were before the country, the railway men and the transport workers were making demands of their own. Any policy which, whether by default or by inadvertence, led these three groups of the Triple Alliance to act in unison, would have precipitated the most serious conflict England had ever known in her industrial history. Parliamentary and constitutional government would have run grave risks of being overthrown by force. The Government, therefore, took the situation seriously in hand, and appointed a Royal Commission with statutory powers "to inquire into the position of, and conditions prevailing in, the coal industry."

## § 2. OUTPUT

The evidence presented before the Commission showed that the coal industry in the United Kingdom consisted of 3,300 mines, owned by 1,452 companies or individuals. Of these, 434 owned small mines producing only about 2,000 tons a year each. The larger mines were about

1,000 in number. The output from these mines in millions of tons for a number of years prior to and during the war is shown in the following table.<sup>1</sup>

OUTPUT OF COAL MINES, GREAT BRITAIN, 1909-1918

Year	Output (Million tons)
1909-1913 (average)	270
1912-1913 "	274
1914	266
1915	253
1916	256½
1917	248½
1918	226

In this table the average for the years 1909-1913 was computed and used as a basis for comparison. The average for the years 1912-1913 stood somewhat above that for the five-year period, but there has been a consistent decline in output from the commencement of the war. The average for 1918 is lower than any in the series.

At the same time output per person employed had also decreased. The position as stated in official figures supplied to the Commission by the financial adviser to the Coal Controller is set forth in the following table. While these figures are not open to the deduction that the coal hewers were growing less and less efficient, since the output is measured in terms of all the persons employed in the industry, they do give an impression of the increasing labor cost that fell upon each ton of coal mined.

OUTPUT OF COAL MINES, GREAT BRITAIN, SELECTED YEARS FROM 1889 TO 1918 EXPRESSED IN TONS PER PERSON EMPLOYED

Years	Tons per person employed
1889-1893 (average)	282
1899-1903 "	288
1907	289
1908	269
1909	266
1910	257
1914	252
1915	270
1916	260
1917	247
1918 (first six months)	245
1918 (third quarter)	235

<sup>1</sup> *The Labour Gazette*, June, 1919, p. 225.

As a result of increased wages and decreased relative output the labor cost per ton of coal mined had increased greatly. Sir Richard Redmayne, Chief Inspector of Mines, gave official figures to show that the wage cost per ton in 1913 was 6 shillings and 4 pence, but in the third quarter of 1918 it had risen to 14 shillings 4½ pence. The Sankey Interim Report contains an appendix with a table showing the various items of cost and profit on a ton of Derbyshire coal. The wage item contained therein is 13 shillings 5 pence, representing nearly 64 per cent of the cost of the coal at the pit-mouth.

The chief item in this increase has been the increases in wages paid to miners since the war began. In May, 1915, they were granted a war bonus varying from 10 per cent to 20 per cent according to local conditions. In July, 1915, they obtained a new standard scale as a minimum, with bonuses on wages paid in May of that year ranging from 15½ per cent to 18¾ per cent. These bonuses were followed by further increases later in the year. In 1916 the hewers of Northumberland obtained an advance of 48 per cent, in Durham 32½ per cent, in the Midlands 8½ per cent, in Scotland 31¼ per cent, and in Wales 30 per cent. In 1917 the Controller of Coal Mines granted a war bonus of 1 shilling 6 pence per day for workers over sixteen years of age. In 1918 another advance was made, exactly equal to that given in 1917, namely, 1 shilling 6 pence per day for workers over sixteen years of age. The total of these increases is reckoned at 18 shillings per week.

No official figures of actual wages paid were put before the Commission. Mr. Vernon Hartshorn, M.P., and a representative of the miners of South Wales, repeated before the Commission what he had asserted in Parliament:

The pre-war wages of the day-wage men in South Wales were as follows:

21,693 with an average weekly wage of 26s. 8d.

11,300 with an average weekly wage of 29s. 6d.

22,717 with an average weekly wage of 31s. 10d.

Over 80 per cent of the day-wage workers got less than 32s. a week. There were only 12,283 getting above 32s. a week, and about 1,200 out of a total of nearly 69,000 who got over £2 a week. The average for day-wage men worked out at 30s. 10d. per week.

So far as pieceworkers were concerned, there were

21,792 hewers whose average wage was 36s. 8d.

10,519 hewers whose average wage was 39s. 3d.

12,886 hewers whose average wage was 45s. 6d.

10,972 hewers whose average wage was 52s. 10d.

making 88.8 per cent of the total.

Only 216 out of the whole of the pieceworkers were earning more than £1 a day. The average weekly wage worked out £2 5s., and the average for all underground workmen over twenty-one years of age at 37s. 9d. a week.

The general average increase in wages during the war for mine workers in South Wales was 86.4 per cent, and for the whole country the average advance was 81 per cent.<sup>1</sup>

Evidence from outside the Commission is furnished by a Lancashire mine owner who had been called upon by the Coal Controller to furnish exact particulars of the average earnings of all his employees during June and November, respectively, in the years 1913–1918, with the exception of 1915. The table was published in *The Times*<sup>2</sup> and is reproduced on page 350.

The average annual earnings of all colliery workers, both men and boys, as accepted by the Commission, were, for the year 1913, £82 a year, and on the basis of the September quarter of 1918, at the rate of £169 a year, an increase of 106 per cent. It should be added that the cost of living during the same period had advanced 120 per cent.

Along with these increases in wages had gone increases in the price of coal at the pit-mouth. By the Price of Coal (Limitation) Act, 1915, an advance was sanctioned but limited to 4 shillings per ton above the price prevailing at corresponding dates in the twelve months preceding June 30, 1914. In July, 1916, a further advance of 2 shillings 6 pence per ton occurred. In October, 1917, following an increase in wages given to the miners, the pit-head price of coal was advanced 2 shillings 6 pence per ton. In June, 1918, an advance in price occurred of 2 shillings 6 pence per ton to cover the increased wage granted. The sum total of these advances increased the cost of coal at the pit-mouth from about 10 shillings in 1914 to 24 shillings 10 pence in September, 1918. The

<sup>1</sup> *The Times*, March 17, 1919.

<sup>2</sup> *Ibid.*, February 18, 1919.



## EARNINGS OF COLLIERY WORKMEN

EXTRACT FROM OFFICIAL RETURN MADE BY A LANCASHIRE COLLIERY FOR FOUR WEEKS IN JUNE AND NOVEMBER IN THE YEARS 1913, 1914, 1916, 1917 AND 1918

Average Earnings per Man per Shift During Four Weeks

	Class of Workmen											
	June 1913	Nov. 1913	June 1914	Nov. 1914	June 1916	Nov. 1916	June 1917	Nov. 1917	June 1918	Nov. 1918		
	<i>s.</i>	<i>d.</i>	<i>s.</i>	<i>d.</i>	<i>s.</i>	<i>d.</i>	<i>s.</i>	<i>d.</i>	<i>s.</i>	<i>d.</i>	<i>s.</i>	<i>d.</i>
1. Coalgetters . . . . .	8	8	10	0	14	4	15	1	17	1	17	2
2. Trammers and haulers . . . . .	6	4	6	4	8	0	8	7	9	4	9	2
3. Deputies, firemen, examiners . . . . .	7	1	8	0	9	11	11	1	12	0	12	8
4. Mechanical haulage hands:												
(a) Men . . . . .	4	1	3	9	4	0	4	9	6	6	6	0
(b) Boys . . . . .	2	8	2	5	2	11	3	1	4	11	4	1
5. Other underground labor . . . . .	5	9	5	11	7	3	8	1	7	6	9	4
6. Enginemen . . . . .	5	5	5	6	7	2	7	5	9	0	8	4
7. Pit-head men . . . . .	4	4	4	2	5	8	5	6	7	4	7	5
8. Persons employed on or about screens:												
(a) Men . . . . .	4	10	4	10	5	9	5	9	7	6	7	9
(b) Boys and Girls . . . . .	1	8	1	7	2	0	2	2	3	4	3	5
9. Stokers and boilermen . . . . .	4	10	4	11	6	4	6	5	7	9	7	5
10. Tradesmen: i.e., joiners, blacksmiths, etc. . . . .	4	10	4	10	5	5	5	9	8	9	8	9
11. Other surface labor . . . . .	3	3	3	8	4	6	4	5	6	3	5	7

average selling price in London in 1914 was 25 shillings 6 pence a ton, while the controlled public price in 1918 was 43 shillings 6 pence.

Much stress was laid in the evidence before the Commission on the profits earned by the industry before the war. It was sought to show that the industry was profitable enough to bear the added cost of the higher standard of living that the miners were demanding. The figures indicated that the profits were very great. Mr. Arthur Lowes Dickinson, financial adviser to the Coal Controller, put in a table showing net profits of coal mines after deducting depreciation and royalties. This revealed the following amounts in millions, together with the profit per ton.

PROFITS OF COAL MINES, EXCLUDING DEPRECIATION AND ROYALTIES, 1909-1918

Year	Profits	
	In Million Pounds	Per Ton
1909-1913	13	<i>s. d.</i> 1
1912-1913	18½	1 4½
1914	15½	1 1½
1915	21½	1 8
1916	38¾	2 11
1917	27¾	2 2½
1918 (third quarter)	39*	3 6½*

\*Calculated on a yearly basis.

The gross profits of the whole industry, including coke and by-products, were demonstrated to have increased greatly during the war. Mr. Ernest Clark, of the Board of Inland Revenue, placed before the Commission the figures supplied to the Income Tax Commissioners for the assessment of income tax and excess profits duty. The total profits of the whole industry of coal and its by-products, subject to deductions for interest, royalties, excess profit duty, coal mine excess payments and general taxation, for the years 1914-1917, were given as follows:

1914	£20,687,000
1915	33,888,000
1916	50,546,000
1917	37,081,000

After deducting royalties, profits, and interest subject to taxation, the following profits remained in the industry, expressed in million pounds, and as a figure per ton of coal mined:

1914	£14,889,000 equal to 1s. 1d. per ton
1915	28,245,000 equal to 2s. 3d. per ton
1916	44,376,000 equal to 3s. 6d. per ton
1917	31,260,000 equal to 2s. 6d. per ton

The capitalization of the industry in 1914 was equal to £135,000,000. But a large part of the profits had been reinvested, for the capitalization had increased till in 1917 it was £154,000,000.

The profits of the industry did not go as a whole to the coal owners. Royalties and way-leaves were paid to the owners of colliery land as follows:

1914	£5,898,000
1915	9,743,000
1916	6,270,000
1917	5,921,000

Further, the Income Tax Commissioners, in terms of the Excess Profits Duty, took 80 per cent of the excess profits above the average of any two out of the three years preceding the war, while of the remainder, the Coal Controller took three-fourths, leaving only 5 per cent of the excess profits to the owners. On this basis, however, as the official figures of the Board of Inland Revenue showed, the percentage of profits on the estimated capital was:

1914	11 per cent
1915	18.7 per cent
1916	22.5 per cent
1917	17.2 per cent

Nor were all coal concerns equally profitable. Evidence was given by the Financial Adviser to the Coal Controller, showing that 31 per cent of the collieries produced 62 per cent of the output at a profit, while 15 per cent of the collieries produced 13 per cent of the output at a loss. In later evidence he presented a summary of colliery returns for the months of November and December, 1917, comprising 75 per cent of the total tonnage, showing the collieries making profits and those making losses. The number of collieries in the first list was double that in the

second, but their output was nearly five times as great. The average profit per ton realized was 2 shillings 3 pence, the average loss per ton was a little over 2 shillings. Loss fell most heavily on South Wales, where the output realized at a loss was 58 per cent of that realized at a profit, the amount of loss in shillings per ton being heavy.

It should be observed that the amount of 15 per cent of the excess profits which the Coal Controller retained was used to compensate the owners, who were compelled to produce at a loss, and that the advance in price made in 1918, which was entirely unprompted by either statistical or actuarial calculations was used to bring mines which were not yielding a profit up to the profit-yielding margin. It should be noted that this was an endeavor to fix the price of coal by the cost of production of the least efficient mines, with the result of larger profits to the more efficient and added cost to the consuming public. The action was held to be justified on the ground that the nation required every ton of coal that was obtainable, and to that end the mines which were heavily handicapped must be made profitable.

The bulk of these profits seems to have been obtained from the export trade in coal. A table put in as evidence by the financial adviser to the Coal Controller showed both the relative size and profit of the domestic and export trade for three-quarters of the year 1918. The table follows:

COMPARISON OF PROFITS IN EXPORT TRADE IN COAL, GREAT BRITAIN, QUARTERS ENDING MARCH, JUNE, SEPTEMBER, 1918

	Quarter ending Mar. 31, 1918	Quarter ending June 30, 1918	Quarter ending Sept. 30, 1918
Tons of coal sold inland . . .	31,069,341	28,073,037	22,822,169
Tons of coal sold for export . .	9,217,210	9,911,600	9,750,214
Profits per ton on domestic coal	8.2 <i>d.</i>	1.86 <i>d.</i>	1 <i>s.</i> 6.57 <i>d.</i>
Profit per ton on exported coal	6 <i>s.</i> 6.8 <i>d.</i>	7 <i>s.</i> 0.35 <i>d.</i>	10 <i>s.</i> 0.38 <i>d.</i>

While no fuller examination was made of the foreign trade in coal, it was demonstrated that the coal industry itself depended on this foreign trade. Its loss would have far-reaching effects. Coal owners were very nervous about American competition and the inroads American

coal exporters had made into markets formerly supplied by Great Britain. Referring to Brazil, Argentina, and Uruguay, a witness gave the following figures of the United States shipments of coal to those countries:

Year ended June 30, 1910	96,000 tons
Year ended June 30, 1914	440,000 tons
Year ended June 30, 1915	1,195,000 tons
Year ended June 30, 1916	1,619,000 tons

While the trade of the United States with those countries was increasing, that of Great Britain was declining. The same witness cited the following figures as the exports of Great Britain to the same three countries during the years 1913-1916:

1913	6,304,000 tons
1914	4,611,000 tons
1915	2,449,000 tons
1916	1,105,000 tons

More serious was the entrance of American coal into Europe. In 1912 the exports of Great Britain into the South American countries just named formed 9 per cent only of her total exports, while her European and Mediterranean markets took over 87 per cent of the total. The quantity exported to French or Mediterranean ports was 31,132,000 tons.<sup>1</sup> But America was opening up trade with Italy. Her exports to that country were estimated by witness as follows:

EXPORTS OF COAL FROM U. S. A. TO ITALY, 1911-1917.

1911	312,754 tons
1912	339,064 "
1913	486,040 "
1914	693,140 "
1915	2,839,979 "
1916	1,069,877 "
1917	393,000 "

These figures show how marked had been the increase in the quantity bought by Italy during the war period till the submarine war made shipping scarce in 1917. Coal had also gone from the United States to Sweden and Spain. The total amount exported to all European countries from the United States was estimated as follows:

1913 about	727,000 tons
1914 about	914,000 tons
1915 about	3,442,000 tons

<sup>1</sup> See H. Stanley Jevons: "The Coal Trade," pp. 682-84.



The United States . . . was going ahead rapidly. She had increased her output enormously, possessed cheap coal, had now a large fleet of steamers, and was desiring new outlets for her increased output. . . . She was now offering coal in the European markets, and was assisted by the fear in the minds of many of the buyers that there would not be sufficient British coal to supply their needs.

Another witness gave evidence on American competition in South America:

There was considerable prejudice against American coal, owing to its appearance, it being small and friable, but when shipments from the United Kingdom became difficult and almost ceased, consumers were obliged to take American coal, and they soon discovered that it was nearly as efficient as second-class Welsh Admiralty coal for steam-raising purposes.

During the war the Americans made every effort to send coals to South America, and they succeeded to a remarkable degree. Since the armistice and, indeed, before the armistice was signed, very great efforts were being made by American shippers to obtain orders for coals, and a great many contracts had been entered into. Shippers of British coals were, of course, not in a position to compete, so that the Americans had obtained a firm hold, especially in Brazil.

The stress laid on the danger to Great Britain's export trade in coal from American competition led to many interesting comparisons and contrasts with coal production in America. Evidence and independent observation revealed great and significant contrasts. The output of coal in the United States is so much greater that comparisons of quantity are invalid. The United States has one-half the available coal supply of the whole world. But comparisons in output per individual are valid. Here one finds that the output over a length of time had been growing only 2 per cent per year in Great Britain, 4 per cent in Germany before the war, and 6 per cent in America. This disparity in increase of production was not due to smaller numbers engaged. Great Britain employed 300,000 men and boys more than the United States, yet the total quantity mined in America in 1912 was nearly twice as great. Further, the output per ton per employee over the same period of years had fallen in Great Britain from 312 to 244 tons, but in the United States it had

risen from 400 to 660 gross tons.<sup>1</sup> In Australia and New Zealand, where the miners were of the same type and race as in Great Britain, the output per man was well over 500 tons.<sup>2</sup>

The reasons for this low output<sup>3</sup> lend reality to the coal situation in Great Britain. Coal is scarcer in that country than in the United States of America. It has been worked for a longer time, and some of the most easily available seams are exhausted. The coal face has receded from the shafts first put down, so that coal is now more costly and difficult to get. Shafts are growing deeper. As a consequence of these two facts, and of the absence of mechanical haulage, the management has difficulties in furnishing a constant supply of trucks to carry off the coal produced by the miners.<sup>4</sup>

Further, the nature of the seams and the geological difficulties experienced militate against increased output. Narrow seams, only 16, 20 and 30 inches wide, are worked in many cases. The anthracite miners in South Wales are continually struggling against "faults," and their output is seriously reduced and the cost of production increased thereby. The following note on the Welsh coal fields, the richest and yet (as shown earlier)<sup>5</sup> the most unprofitable of the English deposits, will show the realities of the situation:

"Geologically, the strata are more disturbed than those of any other British coal field. Besides the frequent 'faults,' i.e., actual fractures or displacements of the strata, there are also 'washouts' where the coal becomes very thin or disappears altogether for a few yards without there being any 'fault.' In the anthracite area this disturbed condition is generally so serious as to render it difficult to work the coal on a very large scale, that is, in pits employing anything approaching the numbers of men employed in the steam coal collieries. It also renders operations in this area more

<sup>1</sup> Data furnished by U. S. Geological Survey place average tonnage per man in 1914 at 673 (short) tons. Quoted in *Coal-Mine Fatalities in the United States, 1918*, compiled by Albert H. Fay, U. S. Department of the Interior, Washington, 1919.

<sup>2</sup> For the comparisons made in this and preceding paragraph, see Sydney Brooks: "Some Problems of Coal," *Nineteenth Century*, March, 1919.

<sup>3</sup> This discussion does not refer to the reduction in output per man during the war period, which was explained by Sir Richard Redmayne as due largely to the withdrawal of 400,000 men for military service. "They constituted the fittest possible men in the mines, and their places were taken very largely by men of lower physical standard."

<sup>4</sup> See H. Stanley Jevons: "The Coal Trade" (1915).

<sup>5</sup> See p. 353.

speculative and the adoption of standardized rates of wages more difficult than elsewhere. Next, the character and quality of much of this South Wales coal give it a practical monopoly in the markets to which the bulk of it is dispatched. Thus, the best steam coal, so essential for the navy, is absolutely unrivaled in any part of the world; the best bituminous coals owing to their hardness, can stand all kinds of climates, while the anthracite coal of the west has no serious rival anywhere except that of Pennsylvania. Now 'the same causes which have given Welsh coals their superiority are also responsible for having made mining in this coal field more costly and more dangerous than in the other coal fields of the United Kingdom. The Welsh coal is dry and fiery, and owing to the dryness of most of the mines the fine coal dust is a constant source of danger. Loose-jointed coal and loose or rotten roof are also more frequent in South Wales than elsewhere, so that there are numerous accidents, frequently fatal, from falls of the face of coal, as well as from falls of the roof.'<sup>1</sup>

Some of this difference in output must also be credited to the fact that mechanical coal cutters have not as great a vogue as in the United States. The following tabular statement of the position was presented to the Commission by Sir Richard Redmayne, Chief Inspector of Mines:

ANNUAL GROWTH IN THE USE OF MECHANICAL COAL CUTTERS AND COAL OBTAINED THEREBY, UNITED KINGDOM 1903-1917, U. S. A. 1903-1916

	United Kingdom		United States	
	No. Machines	Tons Mined	No. Machines	Tons Bituminous Coal Mined
1903	643	5,245,578	6,658	69,620,441
1904	755	5,744,044	7,671	70,261,158
1905	946	8,102,197	9,184	92,318,261
1906	1,136	10,202,506	10,212	106,113,863
1907	1,493	12,877,244	11,144	123,703,413
1908	1,659	13,508,510	11,569	109,985,120
1909	1,691	13,728,902	13,049	127,229,355
1910	1,959	15,747,558	13,254	155,368,119
1911	2,146	18,309,269	13,819	159,068,961
1912	2,444	20,053,082	15,298	187,981,091
1913	1,897	24,369,516	16,379	216,447,958
1914	3,093	23,976,367	16,507	194,999,363
1915	3,089	24,087,684	15,692	217,176,385
1916	3,459	26,303,110	16,197	253,295,960
1917	3,799	27,626,298	(Not available)	

<sup>1</sup> See Report of Commission of Inquiry into Industrial Unrest, Great Britain—U. S. Bureau of Labor Statistics Bulletin, No. 237.

The significance of this table is increased when one uses comparative figures. The average production in Great Britain for 1912-1913<sup>1</sup> was 274 million tons, of which an average of only 22 million tons, or 8 per cent, was obtained by the use of coal-cutting machinery. The figure for the number of tons mined by machinery in 1917 was only 10 per cent of a normal year's output. On the other hand, the amount of bituminous coal cut in the United States in 1914, the only year for which figures are readily available, was 51.7 per cent of the total.<sup>2</sup> A less reliable estimate for 1912 shows a figure of about 40 per cent.<sup>3</sup>

Independent observation<sup>4</sup> revealed other points of contrast with America. In one of the best-equipped collieries in South Wales the main haulage was done by cable which was nearly two miles long. In America electric motors would have been used. At the dockside, where coal is brought for export, one is struck by the large number of men employed instead of labor-saving machinery being used. Prior to the war labor was too cheap in Great Britain. If more work or more production was needed it cost the employer less to hire a few more men than to put in labor-saving machinery, while the objections of the workers to that machinery supplied him with a stimulus in the same direction. Docking accommodation at Cardiff was antiquated, and docks were badly laid out. For instance, the railroad tracks reached the pier at right angles to the line of docks. This necessitated every railroad wagon being put on a turntable and turned around, an operation which was performed by hand labor. The export trade was obviously loaded with an added burden of cost by such uneconomical unloading facilities.

The same absence of economy was observed in the haulage of coal. Most railroad coal cars have a net capacity of ten to twelve tons, with a "tare" of above 50 per cent of the net loading of the wagons. Most of the hauls are for a short distance only. The average length of haul in South Wales was from twenty to twenty-five

<sup>1</sup> See Table, p. 347.

<sup>2</sup> Department of the Interior, U. S. A. Bulletin 115, p. 187.

<sup>3</sup> *Ibid.*, pp. 120, 123, 126, 129.

<sup>4</sup> By S. Pemberton Hutchinson, President, Westmoreland Coal Company, a member of the European Commission of the National Industrial Conference Board.

miles, while in the distribution of domestic coal, short haulage preponderated. This shorter haulage increases the proportion of cost per ton per mile relatively to the cost of the longer hauls in the United States, a disadvantage from which Great Britain cannot escape. But a great economy would be effected in the handling of coal if larger cars and longer trains were used. It must be recognized, however, that such alterations would involve a great expenditure of money on tunnels, bridges, platforms, and so forth. The substitution of larger cars, further, would involve a complete change in the handling equipment of the docks.

It should be stated that the North-Eastern Railway, which serves the Durham field, has sought to better its handling capacity by building trucks of thirty to forty tons capacity, and has experimented with electric haulage for mineral traffic. The docks at Newcastle and South Shields are fitted with elaborate and gigantic tips and cranes.<sup>1</sup>

The contrast between the United States and Great Britain reveals the great difficulties the coal industry in the latter country has in competing with the former. Many of these difficulties, as suggested above, are inherent in the very situation. This is particularly true in the matter of coal-cutting machinery. The conditions presenting difficulty under this head were summarized by the Royal Commission on Coal Supplies, 1905:<sup>2</sup>

“There are, however, certain conditions under which machines cannot at present be worked to advantage, viz., (1) where the roof or floor is bad, (2) where there are numerous faults or dykes, or (3) where the seams are highly inclined. So, too, in the case of very soft coal there is the danger of falls from the face and damage to the machines.”

As Sir Richard Redmayne reminded the Commission, mechanical coal cutters could not be supplied broadcast. They could not be used in South Wales, and the old and nearly exhausted fields of Durham and Northumberland do not employ them. On the other hand, in the coal fields of Yorkshire and the Midlands the undisturbed nature of the coal measures is very favorable to the employment of machines and the newer mines are adopting them extensively.

<sup>1</sup> H. Stanley Jevons: “British Coal Trade,” p. 61.

<sup>2</sup> *Ibid.*, p. 213.



Their use is recommended also by every kind of economic advantage. Under present conditions of the high price of coal they would cheapen production, since machine work is less costly than handwork, even in thin seams. They have advantages of a technical kind in the working of the mines and in producing a larger proportion of vendible coal.

Whether their introduction in larger numbers would be welcomed by organized labor is not clear. The figures show that while miners were volunteering for the war to the number of 300,000,<sup>1</sup> coal-cutting machines were being introduced in large numbers. During the period 1909-1913, the years chosen for the estimate of output by the Commission, the average number of machines in use was a little over 2,000. In 1914 it was 3,093; in 1917, 3,799. The chief miners' witness, Mr. William Straker, secretary of the Northumberland Miners' Association, recognized their advantage in increasing output.

"Where coal-cutting machines had been introduced, he thought it was safe to say that the output per man on the coal face had been at least doubled."<sup>2</sup>

On the other hand, coal owners gave positive evidence concerning the dislike of the miners to such machinery.<sup>3</sup>

"If the workmen's antagonism to machinery could be got over, probably a slight increase might be brought about by the introduction of further coal-cutting machinery and the use of conveyers in thin seams.

"The men had not always been prepared to meet the owners when machinery had been introduced, and the output had consequently not improved as it otherwise would have done.

"The miners had not helped in the past to increase production by the introduction of mechanical appliances.

"The workers were against the use of conveyers. I am tolerably safe in saying we have more conveyers on the scrap heap than in the pit. We have done our best to work them. When I have put in coal conveyers, the men have not tried to make them successful."

The minority report presented by the coal owners on March 20, 1919, contained the following reference:<sup>4</sup>

<sup>1</sup>This is the figure for volunteers. Ultimately another 100,000 were obtained by "combing out."

<sup>2</sup>*The Times*, March 15, 1919, p. 6.

<sup>3</sup>*The Times*, March 13, 14, 1919.

<sup>4</sup>Interim Report by Messrs. Cooper, Forgie, and Williams, p. 6.

“It was alleged that in the past the workmen had in some districts not assisted in making coal-cutting machinery and conveyers a success, but rather the contrary.”

Evidence was also given showing that a large measure of reduced output was due to voluntary absenteeism. This was put as a maximum before the war at from 12 to 15 per cent, and 9 per cent during the war. An estimate was given several times that 5 per cent of this absenteeism was avoidable, and that reduced hours of working would eliminate some of it.

Much attention was paid during the inquiry to the subject of housing. The Sankey Report, which was accepted by the Government “in the spirit as well as in the letter,” reached the following conclusion and recommendation on this point:

Although it is true that there is good housing accommodation in certain districts—and to some extent—there are houses in some districts which are a reproach to our civilization. No judicial language is sufficiently strong or sufficiently severe to apply to their condemnation.

It is a matter for careful consideration whether 1*d.* per ton should not be at once collected on coal raised and applied to improve the housing and amenities of each particular colliery district. A penny per ton on our present output means about £1,000,000 a year.

The housing conditions within the mining industry vary in accordance with districts and district customs. Thus, in the older and almost exhausted fields of Durham and Northumberland, “the dwellings of the people are old and insanitary,”<sup>1</sup> but the fact of the approaching exhaustion of the coal and the absence of any industry to take its place has impeded any effort to remedy this state of things. The conditions in Scotland came in for much condemnation. There the colliery companies own the bulk of miners’ cottages. The prevailing type of cottage is of a low order, and makes but scanty provision for ventilation, heat, decency, or sanitation. In Yorkshire, however, conditions are somewhat better.

Although its housing accommodation is not, in most parts, actually deficient, the cottages are usually only small brick boxes put up in monotonous rows by jerry-builders. The miners live in dirty, ill-made, noisy streets, under a murky

<sup>1</sup> H. Stanley Jevons: “The British Coal Trade,” p. 63.

atmosphere; and many of the cottages being built back to back there is no through ventilation and no privacy.

The housing conditions in the neighborhood of the large new pits which are being sunk in South Yorkshire are being very greatly improved by the movement for building model colliery villages on garden city lines.<sup>1</sup>

The houses in South Wales, while described by a competent authority as "not at all satisfactory"<sup>2</sup> are, "taken as a whole," probably better now than in any of the other principal coal fields, except perhaps the new South Yorkshire field. There is, however, a great scarcity of houses due to the fact that the companies do not build houses, and the co-operative building clubs, through which the miners had managed to build their own houses, are becoming extinct.

It should be remembered in this connection, however, that poor housing conditions for workmen are not concentrated in any industry or, for that matter, in any district. Bad conditions may be found in various parts of England and in various industries. The slums have for many years been a part of England's industrial development. For a further and more complete discussion of this point, the reader is referred to Chapter XII.

### § 3. RECOMMENDATIONS OF THE COMMISSIONS

On the basis of the evidence furnished it, the Coal Commission presented its report on March 20, 1919. Three separate reports were prepared. The coal owners, three in number, replied to the request of the miners for 30 per cent increase in wages and a reduction of hours from 8 to 6 per day, with a recommendation of an advance of 1 shilling 6 pence per day and a reduction of hours to 7 per day. Representatives of the miners, three of whom were members of the executive of the Miners' Federation, and three others — economists appointed by the Government on the nomination of the miners — to watch the workers' interests in other industries, held that both claims of the miners were justified. The third report was presented by the Chairman of the Commission, Mr. Justice Sankey, and the three employers named by the Government on behalf of other industries. This Report,

<sup>1</sup> H. Stanley Jevons: "British Coal Trade," p. 63.

<sup>2</sup> *Ibid.*, p. 126.

which the Government adopted and the miners ultimately accepted, recommended an increase in wages of two shillings per shift or per day worked, and a reduction, as and from July 16, 1919, of the hours of labor from 8 to 7, and, "subject to the economic position of the industry at the end of 1920," to 6 hours per day as and from July 13, 1921.

The demand for nationalization was accepted by the six miners' representatives. The two other groups were unready to pronounce judgment on the subject, which had not been fully discussed before the Commission, since precedence had been given to the questions of wages and hours. The Sankey Report, however, was by no means neutral in regard to the future of control in the industry, as the following sections will show:

Even upon the evidence already given, the present system of ownership and working in the coal industry stands condemned, and some other system must be substituted for it, either nationalization or a method of unification by national purchase and/or by joint control.

We are prepared, however, to report now that it is in the interests of the country that the colliery worker shall in the future have an effective voice in the direction of the mine. For a generation the colliery worker has been educated socially and technically. The result is a great national asset. Why not use it?

From this basis these Commissioners proceeded to report that economies resulting from improved methods should result in the industry yielding even better terms to the workers than those recommended in the Report, while at the same time giving a fair return to capital. The result of the colliery workers having an effective voice in the direction of the mine and better wage terms, should

enable them to reach a higher standard of living to which, in our view, they are entitled, and which many of them do not now enjoy.

The Sankey Report further recommended that future sessions of the Commission should deal with suggestions as to the different ways in which economies and improvements in the coal industry could be effected, and that these suggestions should be carried into operation and tested through the machinery of the Coal Controller's

office, the continuance of which was also recommended. At the same time these Commissioners urged that certain units of economy and units of improvement should be taken in hand at once. The following were named as desirable improvements or economies:

- (1) Housing.
- (2) Baths at the pit-head.
- (3) Clearance.
- (4) Continuity of transport from the colliery.
- (5) Reduction of voluntary absenteeism.
- (6) Use of machinery in mines:
  - (a) Coal cutting.
  - (b) Coal conveying.
  - (c) Underground transit.
- (7) Pooling of wagons.
- (8) Elimination of unnecessary distribution costs.
- (9) Uniformity of accounting.

The Sankey Interim Report was endorsed by the Government and public opinion and accepted by the miners. Obviously most of its suggestions were experimental in nature. Their success depends upon securing economies in production and increasing output. The whole of the evidence, as well as the tenor of argument in the Report, makes this clear. *The Times*, in an editorial comment, recognized the situation:

The proposals relating to the progressive reorganization of the mining industry and the economies which it is expected to effect in all branches of the industry form the foundation of the whole report. If these economies are not secured, the whole structure collapses.

In this extract, *The Times*, which said that the report undoubtedly marks a turning point in the industrial system of the country,

and characterized its recommendation on control of the mines as "a most remarkable pronouncement," acknowledged that failure to increase output must lead to economic disaster. Yet, with the optimism characteristic of the British, it concluded its discussion with the hope that the reorganization of the industry would raise the output to the level of the 287 million tons produced in 1913. Till that result is achieved, the action recommended by the Sankey Report must be considered an experiment.



The report also necessitated a further inquiry into the question of nationalization, which was not definitely decided in the earlier report. After some considerable delay, due to the miners' ballot on the acceptance or rejection of the report, the Commission commenced an investigation of the question of nationalization on April 23d.

The terms of reference of this second inquiry were those set out in certain clauses of the Coal Industry Commission Act, 1919, the chief of which follow:

- (1) Any scheme that may be submitted to or formulated by the Commissioners for the future organization of the coal industry, whether on the present basis, or on the basis of joint control, nationalization, or any other basis;
- (2) The effect of the present incidence of and practice in regard to mining royalties and way-leaves upon the coal industry and the cost of coal, and whether any and what changes in these respects are desirable;
- (3) The effect of proposals under the above heads upon the development of the coal industry and the economic life of the country.

After an inquiry lasting nearly two months, the Commission issued four reports. One was signed by the Chairman (Mr. Justice Sankey) alone. A second short report was signed by the three miners' representatives and the three who were nominated on their behalf by the Government. A third was signed by the three coal owners and the two representatives of consumers' interests. The fourth came from Sir Arthur Duckham, the third representative of the consumers' interests. The six miners' representatives finding themselves "in substantial agreement with the Chairman's report," presented only a short report in which they stated their disagreement with him on minor points. Sir Arthur Duckham differed from the coal owners and other manufacturers more in his method of dealing with the industry in the future than in his views on the present conditions and needs. The reports may, therefore, be discussed in relation to the general topic of this section, the future of the industry.

A distinction exists in the reports between the future ownership of the mineral deposits of coal and the future control of the industry. All the reports agree that the private ownership of coal is wasteful and nationally disadvantageous. Sir Arthur Duckham concludes, with

reference to all minerals, that private ownership "has not been and is not in the best interests of the community." While recognizing that the great development of the industry has been due to private enterprise, he admits that "grave losses to the community have been caused by lack of co-ordination in the efforts of private enterprise." Mr. Justice Sankey names several respects in which private ownership is held to have hindered the development of the industry. On the other hand, the coal owners and their two co-signatories, while finding no "reasonable ground for preferring state ownership of the industry," yet declare for state ownership of the coal deposits. After considering the difficulties in the way of full utilization of the national resources in coal, and "the defects arising from the present system of ownership," they register their conclusion

that the most effective method of dealing with the problem in the national interest would be for the state to acquire the ownership of the coal.

Under state ownership there would be one owner instead of several thousand owners, and the difficulties caused under the present system will be effectively dealt with.

On the matter of royalties, all are agreed that they should cease. The majority are in favor of paying a fair valuation for these rights. The three officials of the Miners' Federation, however, do not agree to any compensation for these mineral rights, except a "grant of compassionate allowances where the expropriation would deprive persons of their means of livelihood."

Though the majority of the Commission was in favor of the nationalization of the industry, the objection of the coal owners and manufacturers was decided and pronounced. Sir Arthur Duckham wrote:

Many advantages have been claimed for nationalization; practically none has been sustained. Many cogent objections have been advanced against nationalization, the majority of which have not been refuted. The nationalization of the coal-mining industry would be an unprecedented and colossal experiment.

The other owners and manufacturers had

come to the conclusion that the nationalization of the coal industry in any form would be detrimental to the development of the industry and to the economic life of the country.

Mr. Justice Sankey recommended that the principle of state ownership of the coal mines be accepted, and that Parliament be invited to pass legislation acquiring the coal mines for the state three years hence, paying fair and just compensation to the owners. His report on this matter was accepted without qualification by the six coal miners' representatives.

The adoption of the principle of nationalization involved some form of Government control. In accordance with the British constitutional system this necessitated a Minister of Mines, appointed by the Government, sitting in and responsible to Parliament. Sir Arthur Duckham's scheme, which did not endorse nationalization of the coal mines, yet necessitated a Ministry of Mines to have control and oversight of all mines. So the owners' and employers' suggestions of the state ownership of coal called for a Mines Department, which, it was recommended, should have at its head a responsible official thoroughly acquainted with the mining industry.

Political control, however, of the mines was objectionable to the owners. Their views were stated thus:

The danger due to political influence has been frankly admitted, but it is claimed that safeguards can be provided against political interference in industry or commerce. However feasible this may appear in theory, the democratic system of government makes safeguards impossible when the exigencies of a political situation dominate a question. We have, therefore, come to the conclusion that the provision of safeguards against political interference is not within the region of practical politics.

All reports agree that the miners should be given some form and degree of representation in the control of the industry. Sir John Sankey recognized the bases of this demand on the part of the miners. He pointed out that education had produced this "higher ambition of taking their due share and interest in the direction of the industry to the success of which they, too, are contributing." The owners reported that the evidence showed coal owners generally were prepared to increase facilities for the workers to acquire a greater knowledge of and interest in the industry. They themselves, in common with Mr. Justice Sankey, put forward a complete scheme of joint representation of employers and miners. Sir

Arthur Duckham, on the other hand, conceded but limited recognition to the miners.

Mr. Justice Sankey's scheme provided for a system of administration for the miners to be carried on during the three years before the mines came fully under public ownership. The owners and manufacturers, who opposed public ownership, were in favor of joint representation to encourage co-operation and to enable each party to bring forward for discussion any question of mutual interest. Sir Arthur Duckham suggested a District Coal Board which was to unify the working of the mines under private ownership. On each of these boards there were suggested seven directors, two of whom should be elected by ballot of the workers in the area.

The scheme of representation drawn up by Mr. Justice Sankey consists of a local mining council in each mine, a district mining council in each of fourteen suggested districts, and a national mining council. The object of the local mining council is

to take advantage of the knowledge of the workers by allowing them to sit on the councils for the purpose of advising the manager and to give them an effective voice in all questions where their own safety and health are concerned.

The district mining councils are intended

to prevent the bureaucratic running of the industry by causing it to be controlled locally by a council of fourteen, upon which there is equal representation for the miners, for the consumers, and for the persons acquainted with the commercial and technical side of the industry.

The National Mining Council is defined in like fashion by Mr. Justice Sankey as

a body composed of members of the district mining councils who shall meet at stated intervals to discuss and advise the Minister of Mines on all questions connected with the industry. The Minister of Mines will be assisted by a standing committee of eighteen members elected from and by the National Mining Council, who will meet regularly for the purpose of superintending the operations of district mining councils.

On the local mining council, which is to consist of ten members, three of whom are to be ex-officio, being managers, the workers are to have four members elected

by ballot of the mine. On each district mining council, with its twelve members, the miners are to have four members similarly elected. The National Mining Council is to be elected from the district mining councils by proportional representation. No specified proportion is reserved for the miners, but on the standing committee of eighteen members elected from the National Mining Council six are to represent the workers.

It should be said that the six labor members of the Commission suggested that fuller representation of the miners was necessary to secure their cordial co-operation in the success of the industry. The scheme they preferred to that of the chairman gave half the seats to the miners.

The coal owners recommended also a scheme of pit committees, district councils, and a national council. These various committees differ little in form from those in existence in the industry at present except that equal representation of management and miners is specified. The district councils might be co-ordinated, it is suggested, with the existing conciliation boards, and the whole plan might be co-ordinated to that proposed in the Whitley Report.

In his scheme for the administration of the industry under national ownership, Mr. Justice Sankey makes provision for the representation of other interests than those of the owners and the miners. On the district mining councils four persons are to represent the consumers and two each those interested in the technical and commercial side of the industry. In iron and steel districts two at least of the consumers' representatives are to represent the dominant trades, and in shipping districts two at least shall be recognized coal exporters. On the standing committee of the National Mining Council, which is to superintend the operations of the district mining councils, in addition to six representatives of the workers, there are to be six representing consumers and six the technical and commercial side of the industry.

The significance of the second report of the Commission was overshadowed somewhat by the evidence on reduced output tendered at the close of the inquiry. Official figures supplied by the Coal Controller showed that the first twenty weeks of 1919, ending May 24, 1919, were much less productive than a similar period in 1913, the basic year adopted for comparison in most official



tables supplied. The average number of men employed during these periods was almost identical, but there had been a reduction in total output and in average output per man per week. The cause for this was to be found in a reduction in the average number of days per week on which pits raised coal and in an increase of nearly 20 per cent in absenteeism. On the basis of the first twenty weeks of the year 1919 the total output for that year, without reduction in hours, could not exceed 242,000,000 tons as compared with 287,000,000 tons in 1913, a decline of 15.7 per cent in efficiency of output. But, allowing for the reduction of hours after July 16th, consequent on the acceptance of the provisions of the first Sankey Report, the estimated output for the year 1919 was 228,000,000 tons, a decline of over 25 per cent on the 1913 figure. The estimated output for twelve months from July, 1919, under the reduced hours and on the basis of the first twenty weeks of the year was put at 217,000,000 tons.

This reduction in output meant that both domestic and foreign consumption must be restricted. Domestic consumption in 1918 was  $6\frac{2}{3}$  per cent below that of 1913, and it would be necessary to continue both this degree and form of control. Foreign export of coal would be even more seriously affected. In 1913 the export had totaled 77,000,000 tons; in 1918, 34,000,000. For the twelve months from July, 1919, it would need to be restricted to 23,000,000 tons per annum.

The decrease in production was held to involve a deficiency on the working of the industry of £46,000,000, equivalent to 4 shillings 3 pence per ton of output. In consequence of this official calculation, the Government announced that the price of coal to the domestic consumer would be increased 6 shillings (\$1.50) per ton from July, 1919.

#### § 4. SUMMARY

At this point, the study of the coal situation in England must be brought to a close and its results summarized.

- (1) The output of coal has been steadily decreasing since 1913, and is likely to be lower still under the reduced hours which are operative since July, 1919.

(2) This has necessitated a considerable reduction in the quantity of coal available for export, and in a significant reduction in that available for domestic consumption.

(3) France and Italy, both large consumers of British coal, find Britain unable to supply their wants.

(4) The situation leaves the markets of South America and of certain sections of Europe open to the coal exporters of the United States.

(5) With the decrease in output has gone an increase in price. This adds a burden to the domestic consumer, and an equal burden on British manufacturers. Cost of production has been largely increased.

(6) Increasing cost, together with decreasing quantities, of coal for export, has gravely affected British foreign trade. This effect in its turn tends to react upon the cost of living for the masses and the cost of production for the manufacturer.

(7) Public opinion has come to accept the principle of public ownership of the coal as distinct from that of the coal mines. Coal is recognized as the nation's greatest asset. The present system of exploiting that asset is recognized as wasteful.

(8) Against nationalization of the industry, that is, public control of the mines and of the process of extracting and selling the coal obtained, there is considerable opposition. This is based on the following grounds:

- (a) Government control would be more costly and inefficient. Though profits were large during the war, the normal margin is very small.
- (b) The present system of control and management is not without its faults, but it has a record of business-like development behind it. Its faults can be cured by economies and by larger use of machinery. These remedies cannot be looked for under government control.
- (c) The alarming reduction in output is not to be cured by government ownership. It is doubtful if their installation under private ownership could offset the reduction in output manifest during recent years, or expected consequent upon shorter hours.
- (d) Nationalization seems directed less to secure the national welfare than to give the miners a larger share in the control of the industry. As the report of the coal owners (June 20, 1919) shows, it is possible to secure this latter end without using the method of nationalization.

(9) The British coal trade and with that British industry and foreign trade need increased productivity on the part of the miners. Without an increased supply, British coal cannot again be cheap. Without cheap coal, Britain is likely to lose her supremacy as a manufacturing and an exporting nation.

NOTE: The British Government, through its Prime Minister, Mr. Lloyd-George, rendered its decision on the Sankey recommendations August 18, 1919. It was a refusal to accept the proposed nationalization, but it provided for the purchase of the royalty rights by the state. This counter-proposal of the Government was rejected by the Trade Union Congress of Glasgow on September 12th. At this Congress the proposition that "The Congress declares against the principle of industrial action in purely military matters" was laid on the table by a vote of 2,255,000 against 2,086,000.

## CHAPTER XXIII

### NATIONALIZATION OF "KEY INDUSTRIES"

#### § 1. SHIPPING AND SHIPBUILDING

Next after mines and railways the most important proposal for nationalization in Great Britain pertains to shipping. With the exception of the demands of Sir Leo Chiozza Money, the proposal did not extend to all shipping, but only to "the great lines of steamers"<sup>1</sup> and in some quarters the project was confined to making the ships acquired by the Government during the war "the nucleus of a national fleet."

At the time of the investigation of your Commission this feature of proposed extension of Government control had become a dead issue. Instead of advancing toward increased Government influence, from the beginning of the new year the Shipping Controller rapidly relinquished the control of shipping and freights that had been established during the war. The Government also withdrew from the business of shipbuilding in private yards, making over the contracts for unfinished Government ships to private interests. And, finally, it offered for sale the Government-owned shipbuilding plants, of which more in particular will be said presently. Besides these acts of industrial demobilization, the Government definitely announced to the country that it would not propose the nationalization of shipping.

The basis for this decision of the Government is to be found in the pre-armistice "Reports of the Departmental Committee appointed by the Board of Trade to Consider the Position of the Shipping and Shipbuilding Industries After the War." In these reports, especially in the Final Report, there was an exhaustive marshaling of evidence and clear-cut recommendations that must have impressed the whole country. The committee found that the position of British shipping after the war would be serious indeed. "The prospect," they said, "after our

<sup>1</sup> Cf. the "Program for Reconstruction" of the Labour Party.

unparalleled exertions, is deplorable.”<sup>1</sup> Again they said, the grave situation which has now resulted may have the effect that British shipping “may fall behind in the competitive race and definitely lose the ascendancy which has been the keystone of the Empire and a condition of our industrial existence.”<sup>2</sup>

Throughout this report the committee takes the position that the interests of British shipping are virtually identical with the interests of traders and industrialists throughout the nation. Everything must be done to restore the confidence of shipowners, in the interest of the general public. To the same ultimate end shipping should be allowed to make good profits during the limited period of trade activity that would follow the conclusion of peace. It also “should be freed at the earliest possible moment from the burden of war taxation.” At the end of the war

“our industrial position will be potentially very strong, whereas we shall be left with a mercantile marine quite inadequate to meet our needs or to recover its former share of the world’s carrying trade. It will be necessary to make the restoration of the mercantile marine the first charge on the national resources unless our industry and our export trade are to be seriously crippled, and we are to suffer the consequences that would attend our decline to the level of a second-rate maritime power.”<sup>3</sup>

The report has very little to say specifically on Government ownership of shipping. In the one place where it does touch on the subject it brings out an objection not often considered by the general public—and that is the difficulty that would rise from contact of the Government in a business relationship with other Governments.

“It is inconceivable,” the committee says, “that if state ownership be substituted for private enterprise, the state should continue the carrying trade between one foreign country and another. It would inevitably have to confine its activities to regular services between different parts of the Empire and between the Empire and foreign countries; and the world’s carrying trade in a wider sense, especially as typified by the world-wide operations of the tramp steamer, which has formed an integral part, if not the backbone, of British marine enterprise, would be lost to this country.”<sup>4</sup>

<sup>1</sup> “Departmental Committee on Shipping and Shipbuilding” (Cd. 9092), p. 63.

<sup>2</sup> *Ibid.*, p. 62.

<sup>3</sup> *Ibid.*, p. 62.

<sup>4</sup> *Ibid.*, p. 63.



With respect to Government activities connected with shipping, by far the greater part of the report deals with the subject of "Control,"—the elaborate system of Government regulation of maritime business built up during the war. The report makes the most decided statements on this subject. Thus we read:

"We believe that the continuance of Government operation and control is bound to extinguish private enterprise and lead to state ownership."

Again:

"the first and fundamental condition of reconstruction is the early removal from shipping of Government operation and control. Such control . . . always tends to paralyze individual effort. Especially is this so in an industry like shipping, which is everywhere exposed to international competition and depends for success on elasticity and freedom from restrictions."

Still, again:

"the one fundamental condition of our maritime recovery is the early release of shipping from Government control, the maintenance of private enterprise in shipping and shipbuilding, and the consequent repudiation of any scheme of state ownership in either industry after the war."<sup>1</sup>

The committee's denunciation of war-time control of shipping (that is, its continuation after the war, strenuously advocated by the radicals) was well seconded in other quarters. Said Lord Inchcape, Chairman of the Peninsular and Oriental Company, at the annual meeting of the company in December, 1918,

"the whole community is sick to death of control and permits and licenses and priority certificates of all classes."

A few days afterward Lord Inchcape gave specific examples in a letter to *The Times* of what he meant by the above expression. He cited recent cases of his being unable to get permits or licenses to ship propeller shafts and frames out of the country for the repair of his ships.

In this matter shipping merely suffered along with other industries in general.

"Trading associations," said Sir Eric Geddes, "are referred from pillar to post, from department to department, from committee to committee. The priority, the licenses, the

<sup>1</sup> "Departmental Committee on Shipping and Shipbuilding" (Cd. 9092), pp. 63 and 70.

control, and the permit, which have been the lodestars of our industrial life during the last four and a half years, have got to go.”<sup>1</sup>

Mention has already been made that the Government withdrew from its war-time merchant shipbuilding enterprises early in 1919. This consisted, on the one hand, in the sale of 137 standard steamers under construction, to Lord Inchcape and Sir Owen Philips, to be completed and resold by them without profit; on the other hand, it consisted in the offering for sale of the Government's own merchant yards at Chepstow and Beachley. These plants were first offered by the Government to certain trade unions and to the co-operative societies, but the offer was refused; there was no desire by labor to acquire a “white elephant.” And, indeed, the taxpayers had suffered heavily through these ill-starred enterprises. Approximately twenty million dollars was spent and not a single ship built and launched. The general style of the conduct of the business was to proceed “as if getting ready for the next war.” There were constant changes in plans; there was mismanagement and lack of order of the grossest sort.<sup>2</sup>

The shipbuilding plant at Chepstow had been begun in 1916 by the Standard Shipbuilding Company at a time when merchant shipbuilding in the United Kingdom was at a very low ebb because of concentration of labor and resources on naval work for the Admiralty. Certain leading shipping men foresaw the crisis that was to come and launched their enterprise under the most favorable auspices. In August, 1917, the Government dispossessed the Standard Shipbuilding Company, because it had novel plans of building so-called “fabricated” ships by means of military labor and German war prisoners. This plan did not work because of the strenuous objection of the trade unions (which might have been foreseen) to conscripted men at army pay being used in such civilian occupations.

Most of the criticism of the “fiasco at Chepstow” has been directed to the details of mismanagement on the spot, which made the place one of several which became “household words for official waste and incompetence.” But of far greater significance than the money wasted at

<sup>1</sup> *The Times* Trade Supplement for February, 1919, p. 268.

<sup>2</sup> Cf. the amazing disclosures in a series of articles in *The Times* during March.

Chepstow (with no ships to show for it) was the indirect influence of the work done there in preventing the production of ships in private yards elsewhere. The "priority" for materials to go to Chepstow (and be dumped down there in utmost confusion) seriously crippled private shipyards, but most of all the yards were disturbed and hampered by the disastrous effect upon labor of the novel plans of the Government. The attempt to get civilian work done by men under military discipline aroused and angered labor so thoroughly that it was a long time before their suspicion and resentment was allayed; and this at a time when it was of the utmost importance to have cooperation and good feeling between the shipbuilders and the unions throughout the nation.

The conclusion of the war has left Great Britain short of shipping, as all the world knows, and the greatest demand will be put upon her private shipbuilders. The Departmental Committee, cited above, maintains that it will be necessary "immediately on the conclusion of peace to complete annually not less than two million tons net of merchant shipping," which is about double the annual output before the war. Notwithstanding this pressure upon the British shipbuilding facilities, the committee recommends that there be no restrictions on "the building in British yards of ships on foreign account." Such restrictions would be of no effect in case there is a sufficient demand from shipowners. But, on the other hand, in case there is a temporary dearth of British orders, such restrictions

would prejudice still further our shipbuilding industry and ensure its transference to other countries. At a later date the restoration of British shipping would be impeded by the absence of a sufficient shipbuilding industry in this country.<sup>1</sup>

It was said above that nationalization of shipping in Great Britain had become early in the present year a dead issue. Such was, indeed, the case so far as any direct urging by the Government was concerned. But it is of considerable significance that an attempt was made by indirection to drive in the thin edge of a wedge in this matter. In the bill creating a Ministry of Ways and Communications (the "Transport Bill") introduced in Parliament in February, 1919, it was provided that the Ministry under an Order in Council might be authorized

<sup>1</sup>"Departmental Committee on Shipping and Shipbuilding" (Cd. 9092), p. 67.

“to establish, maintain, and work transport services by land and water.” This was in addition to the authority to acquire water services (the Channel boats chiefly) carried on as ancillary to the railways. Under a storm of protest this particular project, which meant the possibility of Government lines of steamships competing with privately owned lines, was dropped.

## § 2. NATIONALIZATION OF “KEY INDUSTRIES”

During the war the expression “key” or “pivotal” industries came into extensive use in England. Such industries are of small magnitude in contrast to the great staple trades (such as coal mining, iron and steel industry, shipbuilding, and the various textile industries), but they are nevertheless important because upon them are dependent whole series of processes in the general industrial system. The commodities supplied by such small but strategic industries “are essential to national safety as being absolutely indispensable” to the more important industries: hence, the figure of speech of a “key.”

The Parliamentary Committee on Industrial and Commercial Policy, in its Interim Report on Certain Essential Industries (Cd. 9033), discusses the situation at some length with respect to synthetic dyes, spelter, tungsten, magnetos, optical and chemical glass, hosiery, needles, thorium nitrate, barytes, limit and screw gauges, and certain drugs. The uses of each of these articles of commerce is set forth, together with the reasons why, before the war, they were supplied “entirely or mainly” from enemy sources or sources under enemy control. Magnetos, for example, are a “key” to all forms of application to the arts of internal combustion engines, and before the war were supplied to Great Britain almost exclusively by the Bosch Company of Stuttgart. The committee says that it is informed that “but for the large stock held in this country by that company, the military position at the outbreak of war would have been very serious.” In like manner the war brought the discovery of how dependent cartridge-making is upon a sufficient supply of spelter (zinc), and also the fact that the chief source of supply of ore for spelter within the British Empire, the Broken Hill mine, of West Australia, had come under the control of German interests. With almost all the “key” or “pivotal” in-

dustries, there is the pivotal natural resource and the pivotal manufacture. Thus, tungsten is used as an alloy in making high-speed steel, upon which, therefore, the whole machine-tool making and machine-tool using industry depends. The source of this metal is chiefly an ore called wolfram, and two of the four leading and approximately equal sources of supply are within the British Empire. But the smelting of the ore, which is not mined at all in Germany, was before the war almost wholly confined to Germany, "where the manufacture was carried on in association with large chemical undertakings." The Germans were able and willing to treat the low grade ores, such as British and American firms would not buy, and so came into "control also of most of the supplies of the best ore." The result here, as with the other so-called "keys," was great embarrassment to the major British industries when war clogged the ordinary channels of commerce. It became obvious to the British public that such conditions with respect to these small, and therefore formerly overlooked, trades must not be suffered to continue; the "future safety of the nation" was involved.

The remedy for the situation was as various in form as the special circumstances of each key industry itself. The most general recommendation of the committee was the establishment of a permanent Special Industries Board to watch over the development of the key industries, and to take such detailed measures as were necessary from time to time for their promotion and assistance. Again, there were suggestions of prohibition of export from the British Empire of the raw materials concerned, or the control of such export by licenses and heavy duties. Still again, there was the proposal (actually carried into effect during the war) of encouragement of manufacture in these directions within the United Kingdom by means of prohibitions of import, heavy import duties, and by the payment of subsidies.<sup>1</sup> The whole trend of policy with respect to the key industries has little direct connection with "nationalization," as that term has been defined: its chief significance is its bearing upon the future fiscal system of Great Britain. It may well come about that the handling of the key industries, as outlined above,

<sup>1</sup> See *passim*, the "Final Report of the Committee on Commercial and Industrial Policy After the War" (Cd. 9035); also *passim*, the "Final Report of the Dominions Royal Commission" (Cd. 8462).



may be a prominent factor in bringing in a general policy of protection.

But, although the subsidizing and public control of key industries have thus come about (as wartime "control" in general) for general public reasons, and not as a part of the particularist nationalization movement, there have been, nevertheless, some indications of the possibility of its being drawn into that movement. Thus, a writer in a current number of the *Contemporary Review*<sup>1</sup> suggests that it would be better than subventions for the Government "to take over these industries," assuming full business responsibility for them, and "using any profits to lighten the burden that rests upon the taxpayers." This last is the leading popular argument for nationalization in every direction at this time of mountainous debt and crushing taxation. Industries are to be "taken over" by the Government and the profits which will then somehow miraculously emerge are to be used in relief of taxes.

Before leaving this general topic mention should be made of still another key or pivotal industry not commonly listed as such, and that is the large scale manufacture of electricity for power. Even before the war it was prominently agitated in Great Britain that the power for manufacturing of the future should be electricity produced at huge central stations near the coal mines and distributed throughout the manufacturing areas. During and since the war this project has attracted more and more attention. The great possibilities of saving of coal by this means are obvious. Also the concentration of dependence of manufacturing in general upon these central sources of power is obvious. Clearly such great centralized power-producing and distributing systems would be "keys" indeed. Hence it is not surprising that the advocates of nationalization are keen upon their capture. A prominent plank of the Labour Party program for reconstruction is the demand that "so powerful an enterprise" as these "gigantic 'super-power stations' which could generate at incredibly cheap rates enough electricity for the use of every industrial establishment and every private household in Great Britain, . . . must not be allowed to pass into the hands of private capitalists." And this demand is in the way of being realized, because one of the clauses of the bill creating the Ministry

<sup>1</sup> August, 1919.

of Ways and Communications (the Transport Bill, already alluded to) gives this new department of the Government control over "the supply of electricity." The reason given for the inclusion of this feature in a "transport" measure is that the lines of railway afford the safest and cheapest avenues for the distribution of electricity from the generating stations. Furthermore, the proposed electrification of the railways is linked up with the project of "super-power stations."

### § 3. SIGNIFICANCE OF KEY INDUSTRIES AND KEY MEN

This concept of key industries has spread to other economic activities. In demobilization the British plan was to release pivotal men in order that industry might be set going most quickly. These pivotal men either had the skill necessary for management of key activities, or ran machines that were pivotal to a whole series of other machines. The fact is that there is no end to the pivotal positions in our interlocking industry. A certain material may be pivotal, or a certain industry, or a certain group of men, or a certain individual, or a certain machine. But one should not stop here, because the various parts of a machine may be looked upon as pivotal or the fingers or eyes or feet of the workmen. The principles aimed at in all this talk of pivotal men and pivotal industry are simple. Ours is a co-operative industry; all men, all machines, all industries work together. Some operations are primary, some secondary, but from a certain point of view any one, practically, may become pivotal.

## CHAPTER XXIV

### PROPERTY RIGHTS

#### § 1. INTRODUCTION

Although the subject of property rights may seem at first glance to have little connection with the investigation of industrial conditions in Great Britain, no one can analyze the theories of social reformers in that country or estimate the motives that furnish the stimulus to their activities without becoming conscious of an altered attitude towards property and towards the rights involved in the ownership thereof. Fundamentally, most of the changes which are occurring in industry and politics in Great Britain are alterations in the conception of property and in the sphere and function of property owners. From about the year 1906, when the Liberal Ministry of Campbell-Bannerman came into power, till the present day, there has been a steady and cumulative movement that has tended to lay stress on state ownership and control of property. During the war this movement, which had previously been political in essence, was reinforced by certain industrial theories, the strength and significance of which were becoming manifest at the time of the visit of the Commission.

To make the subject clear and to enable one to understand the significance of the social currents just suggested there is need for a definition and analysis of the concepts of property and property rights. By property is usually meant some definite object exclusively controlled or possessed. This is the more common designation of the term. Thus, a man speaks of an automobile, a house, a piece of land, or a number of shares in a corporation as his property, or one may speak of a park as being public property. Behind this reference to the object possessed there is the right to control or possession. In some cases this is taken to be implied in the designation "property"; in other cases the more correct term "property rights" is used.

Property rights depend for their meaning and their assertion on the consent of organized society. Nothing

is held by right except in so far as its holding has secured recognition from others and will be maintained by them. This is the essence of what is implied in a right. In this connection there arises the most fundamental distinction between property rights, namely, that between private and public property. Private property exists where society has recognized the exclusive right of an individual to the control and possession of some object or objects. But society may vest control or possession in itself and thus set up what is known as public property.

The historical nature of the institution of property is well known to the student of social institutions. The form and significance of property have altered in accord with varying social and economic opinions of society. Property owned by the state has become private property, as in the days of the settlement of the western part of the United States. At other times private property has become state property.

Various principles have determined the form, whether private or public, which property has assumed. Prominent among these principles today is that of the public interest. This principle leads, in the first place, to the limitation of property rights, as in the matter of eminent domain and inheritance duties. But it is involved more powerfully in justification of the transfer of private property into the hands of the state. While each specific transfer needs separate consideration, it is generally agreed that no lesser principle than that of public interest can justify such an alteration in the form of property holding.

To understand how recent industrial changes in Great Britain have affected property rights, notice must be taken of the fact that property implies control as well as possession. So far as applicable to objects, this control arises from possession. As such, it may be control for use, as in the case of the ownership of an automobile, or for power, as in that of the ownership of capital. This control for power implies control over the services and activities of other men. The holders of property have in their hands the instruments whereby wealth is to be produced. In return for granting access to their property, the holders claim control, not merely in the sense of possession, but in respect of the conditions under which use is allowed and also of the relations among men

engaged in the use of their property. The factors in economic production, to be more specific, are thus instruments in the control of the owners of property. Any effort to alter the form or degree of this element of control or to set up a new type of economic organization will tend to change the extent and form of property rights. This fact constitutes the significance of many of the industrial movements sketched in earlier stages of this report.

Discussion of the subject will follow the periods of time determined by the war. In the pre-war period there were many legislative measures dealing with the land and new forms of taxation intimately related to the social concept of property. During the war such measures as the Excess Profits Tax and the suggested levy on capital indicate the strengthening of the idea of public interest over the absolute rights of private property so strongly entrenched in English thought and English law. Since the war the demand for nationalization and the aim of the workers to secure control of management and of the conditions of the employment relation indicate that property rights of that sort are changing under the pressure of a new ideal of social and economic organization.

## § 2. SOCIAL LEGISLATION AFFECTING PROPERTY RIGHTS PRIOR TO THE WAR

For several years prior to the war the financial proposals of the Liberal Administration then in power were directed towards carrying out measures of social legislation. Schemes for old age pensions, labor exchanges, and health insurance were launched, each calling for new and added expenditures. It was the contention of the Liberals that the money for these schemes could be obtained by a form of taxation which would divert to social uses those advantages that wealthy people had obtained from society itself. Particular attention was devoted to the land question, in which matter it was held that every increment of value that does not depend on improvements made by the landowner should be subject to a special tax. The principle behind this whole budget has been described by a leading sociologist thus: "to divert every form of economic rent to public coffers."<sup>1</sup>

<sup>1</sup> Hobhouse, L. T.: "The Labour Movement," p. 118.



Of the two chief measures in the Lloyd-George Budget of 1909-10, the most important in its social significance was the land tax. By the clauses relating to this matter in the Finance Bill, 1909-10, a tax of 20 per cent was placed on the unearned increment upon land where this unearned increment was due to the growth and work of the community and exceeded more than 10 per cent of the site value at a specified period. At the same time a tax of one halfpenny in the pound was laid upon undeveloped land of a value of more than £50 an acre that was being held back from use especially in building. Further, a new tax of 5 per cent was imposed upon mining rents and royalties.

As a financial expedient, that on land values was not a success. It yielded in 1910-11 only a little over £500,000, and at its maximum never more than £750,000. During the war its yield was almost negligible. Its significance lay rather in its revelation of an altered temper towards the land question and to the vested rights so long associated therewith. The echoes of the struggle over this matter have not yet died out in England, and the attitude of the miners' representatives at the Coal Commission is convincing evidence of the scrutiny to which advanced thought in Great Britain is subjecting ancient rights and privileges.

At the same time increased duties were levied on estates bequeathed at death. These duties had been in existence for some time but were only moderate in their rate. The Lloyd-George Budget increased the scale, particularly in the case of estates of a higher value. These taxes were far more productive than those on land values, and levied a larger toll upon property. But because they were not new, and because the right of the state had come to be recognized in this particular, they did not create quite the same feeling of disturbance as did those which were aimed to create a "landed revolution."

### § 3. WAR MEASURES AND CLAIMS

During the war various forms of taxation of a new order were enforced tending to divert to state uses much that had hitherto been considered the exclusive right of the property owner. Most of this taxation concerned the limitation of profits or was an effort to ensure that war-time profits should return in large measure to the state.

But in addition there arose, consequent upon the large national debt incurred in the war, a suggestion for the extinction of a large part of that debt by a levy on capital.

The first of the measures of taxation was the Munitions of War Act, 1915. Sections of this act provided that any excess of net profits made in controlled munition establishments over a standard amount should be paid into the national exchequer. The standard amount of profits was defined as the average of the net profits for two years preceding the war. This measure was designed to appropriate all profits in munition making, due exclusively to the war. That is, it confiscated war profits. It is interesting to observe that this levy "was shown by experience to be defective,"<sup>1</sup> and produced much less than was anticipated. It was a restriction of profits that dried up the source of the motive towards making large profits. In the words<sup>2</sup> of Mr. A. Bonar Law, the levy

had this great disadvantage, that once a certain amount of profit was made, nothing more could be made in consequence—i. e., all incentive beyond a certain point was taken away.

As a result the amount collected from all the controlled firms was "practically negligible."

The Excess Profits Tax, the second measure of taxation, came into force in November, 1915. It represented a tax not on war profits so much as on war-time profits calculated on the basis of the profits arising from any trade or business during the period August 4, 1914, to July 1, 1915. Where the profits in that period exceeded the pre-war standard of profits by £200, a duty was to be imposed on the excess above that amount. The pre-war standard of profits was defined as the average profit arising from any two of the three last pre-war trade years, to be selected by the taxpayer. The rate of taxation was at first fixed at 50 per cent. In April, 1916, the rate was raised to 60 per cent, and in May, 1917, to 80 per cent. It remained at this figure till April, 1919, when it was reduced to 40 per cent. In the financial year 1917-1918 this tax realized £220,000,000, or nearly one-third of the total revenue for the year.

Notice ought also to be taken of the use in war time of the Income Tax to levy large toll upon the incomes of

<sup>1</sup> "Industry and Finance," ed. by Prof. A. W. Kirkaldy, London, 1917, p. 304.

<sup>2</sup> Quoted *ibid.*, p. 308.

the rich. At the beginning of the war the rate of income tax previously in existence was increased 40 per cent, the exemption limit lowered, and the relief granted for dependents slightly decreased. At the same time the scale of the supertax was extended. In further budgets the rates were increased both for ordinary incomes and for those paying supertax. By the budget of 1918 earned incomes below £2,000 were taxed on a scale ranging from 3 shillings to 5 shillings and 3 pence in the pound. Above £2,000 a supertax began, so that incomes above £10,000 bore a supertax of 4 shillings 6 pence, that is, a total tax of 9 shillings 9 pence in the pound, or 48.75 per cent.

Another measure of considerable economic significance was that of the "mobilization" and, later, the requisitioning of securities. To steady American exchange in the early days of the war and to meet the large indebtedness of the Allies to America for munitions, the Government needed control of foreign and colonial securities. It offered to purchase or borrow such securities at the current market price. In August, 1916, the British Treasury made further efforts to obtain control of such securities, imposing in its Finance Act, 1916, a penal additional income tax of 2 shillings in the pound upon income derived from such securities. Eventually, in January, 1917, the Treasury applied the Defence of the Realm regulations to such of these securities as it deemed expedient to secure, and requisitioned them at their full capital value.

At the close of 1917 and the beginning of 1918 there arose a proposal for a levy on capital. This scheme was fathered by the Labour Party, with Mr. Sidney Webb as the chief advocate. In its first form, as advanced by the Labour Party, it was to be a method of war finance, but later it was advocated only as a means for the redemption of the war debt. In their scheme of reconstruction,<sup>1</sup> adopted in January, 1918, the Labour Party put their proposal forward in the following terms:

It will be imperative at the earliest possible moment to free the nation from, at any rate, the greater part of its new load of interest-bearing debt for loans which ought to have been levied as taxation; and the Labour Party stands for a special capital levy to pay off, if not the whole, a very substantial part of the entire National Debt—a capital levy chargeable like the

<sup>1</sup> Known as "Labour and the New Social Order," quoted in Kellogg and Gleason, "British Labour and the War," p. 389.

Death Duties on all property, but (in order to secure equality of sacrifice) with exemption of the smallest savings, and for the rest at rates very steeply graduated, so as to take only a small contribution from the little people and a very much larger percentage from the millionaires.

In the platform of the party in the elections of December, 1918,<sup>1</sup> a more concrete form was given to the demand, which was there termed the "conscription of wealth."

This means the substitution for a large part of the existing income tax of a carefully graduated capital tax, exempting possessions under £1,000 and taxing very lightly those under £5,000.

The proposal, however, has not made much headway. It is open to many objections that are felt to have great weight. These have been expressed in a leading article in *The Economist*.<sup>2</sup>

It penalizes those who save, lets off those who squander, involves great delay, and gives great opportunity for dishonesty in the matter of valuation, and by depriving vigorous business men of a slice of their capital it checks their activity at a time when all the energy of the nation will be needed to cover and heal the scars of war.

In general the British public is inclined to carry the financial burden through taxation rather than by such a violation of property rights as is involved in the levy on capital. The general support which the Labour Party's proposal at first received has receded, and public opinion is at present fairly averse to such action. Nevertheless the significance of the proposal is not diminished by its seeming failure. It shows how advanced is the concept of property as being regulated in its form and control by the principle of public interest.

#### § 4. DEMANDS FOR CONTROL

With the prospect of peace and in view of the altered economic conditions of England consequent upon the war came a demand for the nationalization of certain industries. It was held by those who supported this demand that control by private employers meant

<sup>1</sup> Quoted in Kellogg and Gleason, p. 417.

<sup>2</sup> *The Economist*, January 5, 1919, p. 3.

not . . . the service of the community, but — by the very law of their being — only . . . the utmost possible profiteering.<sup>1</sup>

On the basis of this attitude towards private ownership, and because of a belief that Government control during the war had reduced profiteering,<sup>2</sup> the Labour Party began to advocate the immediate nationalization of the railways, mines, and the production of electric power. Explaining their plans in more detail, and with particular reference to transportation, they declared<sup>3</sup>

unhesitatingly for the national ownership and administration of the railways and canals, and their union, along with harbors and roads, and the posts and telegraphs — not to say also the great lines of steamers which could at once be owned, if not immediately directly managed in detail, by the Government — in a united national service of Communication and Transport; to be worked, unhampered by capitalist, private or purely local interests (and with a steadily increasing participation of the organized workers in the management, both central and local), exclusively for the common good. . . . The railways and canals, like the roads, must henceforth belong to the public and to the public alone.

What has been done in the direction of meeting this demand has been fully explained in a preceding chapter. Suffice it here to add in summary that proposals have been made for the nationalization of mines, railways, electric power, banking, shipping, industrial and life assurance.

The Labour Party's platform also called for a continuance of Government control and price fixing such as was carried on during the war. It declared itself<sup>4</sup> in favor of retaining and developing

the present system of organizing, controlling, and auditing the processes, profits, and prices of capitalist industry.

It held that the publicity of this procedure was effective in bringing inefficient firms up to a higher level of efficiency, while "cost accounting," together with the authoritative limitation of prices, formed the only effective security against profiteering.

<sup>1</sup> "Labour and the New Social Order," quoted in Kellogg and Gleason, p. 382.

<sup>2</sup> *Ibid.*, p. 386.

<sup>3</sup> *Ibid.*, p. 383.

<sup>4</sup> *Ibid.*, p. 410.



This extension of Government ownership and control was seconded by a demand on the part of the workers for a share in management. The program of the Labour Party in connection with transportation shows that they shared this aim. But its chief protagonists are the National Guildsmen, whose views have shaped greatly the demands of the miners, and whose leading thinker, Mr. G. D. H. Cole, is the chief of those "intellectuals" whose abilities are at the service of the workers of England.

The views and aims of the National Guildsmen go beyond the principle of nationalization. To them nationalization is secondary to the control of production by the worker in the capacity of producer. "National management is not inadequate, but wrong."<sup>1</sup> They regard nationalization as only state capitalism, the refuge of the capitalist when he finds that the aims and methods of the workers are threatening his profits.

Nationalization is inevitable, not because it is the policy of the Labour Party, but because it is rapidly becoming sound capitalist economics.<sup>2</sup>

Its method of control is necessarily bureaucratic, and is thus entirely opposed to the democratic control of industry that the Guildsmen seek.

Yet the opposition of Guildsmen is only to nationalization as a goal, not to it as a step towards their goal. They are confident that nationalization of mines and railways, for instance, will come before Guild control can be achieved, but nationalization in their opinion is not a necessary prerequisite in any industry and certainly not in other than public utility services. It does not matter whether the control of industry is to be wrested from the state or from private capitalism. But nationalization will help industry on towards its goal in the Guildsmen's economic order. It will give unified management, but it will precipitate a "battle between bureaucracy and freedom." It will be a valuable step onwards, but every time that such a step is gained the workers

must present a definite and concrete demand for a share in control.<sup>3</sup>

<sup>1</sup> Cole, G. D. H.: "Self-Government in Industry," p. 197. See the argument of pp. 198-225.

<sup>2</sup> *Ibid.*, p. 252.

<sup>3</sup> *Ibid.*, p. 221.

In view of this attitude it is interesting to observe that the miners' scheme for the control of the coal mines ran along similar lines. Mr. William Straker, Secretary of the Northumberland Miners' Association, and a member of the executive committee of the Miners' Federation of Great Britain presented the scheme before the Coal Commission on March 14, 1919.<sup>1</sup> In this plan the miners asked for nationalization and joint control. They would have nothing to do with private ownership. That had served its day and generation, which was past. They wanted nationalization in order to do away with private ownership. But they did not want bureaucratic administration; they wanted the worker to have a share in the management of the industry. Hence, they proposed that the control of management should be in the hands of a mining council, half of whom should be appointed by the Miners' Federation of Great Britain. In this case we see the definite advocacy of a policy like that suggested by the Guildsmen as a step towards the ultimate goal, that

the state should own the means of production; the guild should control the work of production.<sup>2</sup>

The aim of the Guildsmen is the expropriation from the present owners of the materials of production from both their possession and control and from control also of human beings through the wage relation and the abolition of the wage system. The organizations advocated by the National Guilds are to be

self-governing associations of workers arising out of the trade unions and controlling industry in conjunction with a democratized state.<sup>3</sup>

They are to constitute

a system by which the control of industry might be shared between the organizations of producers and consumers, so as to safeguard the interests of the community of consumers and at the same time to give the workers freedom to organize production for themselves.<sup>4</sup>

This organization of production by the workers is to begin in the workshop and the factory. Just how

<sup>1</sup> See *The Times* (London), March 15, 1919, p. 6.

<sup>2</sup> Cole, G. D. H.: "Self-Government in Industry," p. 109.

<sup>3</sup> *Ibid.*, p. 21.

<sup>4</sup> *Ibid.*, p. 6.

and where it shall begin and what form it shall take are keen subjects of debate among advocates of this theory. The chief suggestions are that the workers must continue their organization till they have a complete monopoly of their labor power,<sup>1</sup> and must then begin on the process of detaching the managers, foremen, and managing directors alike, from dependence on capitalism and attaching them as allies to trade unionism. The latter process can be carried out

by the strengthening of trade union organization in the workshop, by a closer and closer relating of trade union machinery to the organized life of the workshop, and by the gradual winning over from capitalism of the grades of supervision and management, beginning with the wresting by Labour from its enemies of the right to choose and control foremen and superiors in every industry.<sup>2</sup>

In general it is recognized that the workshop must form the starting point of control, and that the first step will be the replacing of the employers' foremen by the workers' shop stewards. The most advanced step proposed is that of the collective contract,<sup>3</sup> whereby the employer would pay a contract price to a certain group of his workers, who would carry on production and distribute the contract price among the group. The workers would organize themselves into a "factory fellowship" to settle the details of the work. A group of Guildsmen at Weymouth are on record as having formulated the terms of such a collective contract. These are as follows:<sup>4</sup>

1. The necessary preliminary would be the election of the workers' committee, fully representative of the different trade unions.
2. Individual piecework would be abolished and the committee would undertake the work by collective contract.
3. Workmen would be engaged by the committee, and the hours of work would be regulated by them. In like manner apprentices and their vocational training would be under the entire supervision of the committee.

It is the idea of the Guildsmen that by such measures the control which the capitalist exercises over the processes of production would be "atrophied."

<sup>1</sup> Hobson, S. G.: "Guild Principles in War and Peace," p. 159.

<sup>2</sup> Cole, G. D. H.: "Self-Government in Industry," p. 173.

<sup>3</sup> Gallacher and Paton: "Towards Industrial Democracy, a Memorandum on Workshop Control."

<sup>4</sup> *The Guildsman*, March, 1918, p. 2.

But the employer has also control of "exchange," that is, of finance, and this, too, must pass into the hands of the workers before Guild ideas can be realized. The first step in this direction will probably be that the state will

assume the rôle of banker, financier, and merchant, while labor is developing its control of production.<sup>1</sup>

By taxation, and by the control of banking, and of home and foreign investments, the state will be able to strike at the economic power of capitalism.<sup>2</sup>

If these measures of industrial and political action do not suffice, there remains "the remedy of the catastrophic general strike," which, it is believed, could not fail. This step is described as "the last stage of the coming social revolution," and as one that can be successful only after long preparation and actual achievement in organization of industry and in control of production. But whatever the method, the aim of the Guildsmen is such a measure of control over management and industry as will realize their ideal of industrial self-government.

The Guildsmen, however, are not Syndicalists. They agree with the Syndicalists in their demand for the ownership and operation of industry by the workers. They do not, however, join with the Syndicalists in their demand for the abolition of the state. They would retain the state as the representative, on the one hand, of civic and political interests, and, on the other hand, of the rights of the consumer.

The workers ought to control the normal conduct of industry; but they ought not to regulate the price of commodities at will, to dictate to the consumer what he shall consume, or, in short, to exploit the community as the individual profiteer exploits it today.<sup>3</sup>

To defend the rights of the consumers, and to control the division of the national product, a democratic state will be needed. This state, however, will probably be somewhat different from that which exists today, for

in the society of today the state is a coercive power, existing for the protection of private property, and merely reflecting in its subservience to capitalism, the economic class structure of the modern world.<sup>4</sup>

<sup>1</sup> Cole, G. D. H.: "Self-Government in Industry," p. 180.

<sup>2</sup> *Ibid.*, p. 182.

<sup>3</sup> *Ibid.*, p. 108.

<sup>4</sup> *Ibid.*, p. 104.

The preceding analysis has tended to show how, in Great Britain, both the concept and the form of property rights are altering. The tendency is undoubtedly towards an increase in the extent and scope of state ownership of property and towards greater stress on the concept of public interest as the ultimate justification for ownership, use, and control of all property. This has been particularly manifest in the question of the land. While taxation dealing with this question has been insignificant in financial returns, the discussion which centered around these measures has had a noticeable effect upon the disposal of landed property and upon such a question as the ownership of mineral deposits.

In the taxation of the war period there has been a restriction of property in the sense of use or enjoyment, and a diversion of such use to the needs of the state. Through death duties, income taxes, and excess profits duties, men have had to surrender large portions of what they had hitherto enjoyed full use of. Along with this surrender of private property has gone a demand for the restoration to society of direct ownership in certain things held essential for the development of the "democratic" state. This demand for national ownership and administration was coupled with a further demand for restriction of property in the sense of control. Without leading, necessarily, towards confiscation of private property, this movement does involve the curtailment of private property, and has become one for the sharing of control with those who previously were themselves in the control of the property owner.



## CHAPTER XXV

### FINDINGS OF EUROPEAN COMMISSION

Your Commission has summarized here the essential points of its findings from a study of the industrial and labor problems in Great Britain, France, and Italy. The reader with little leisure will be able to get from these the gist of the complete discussion within small compass. It is also possible to identify readily the points of particular interest and to turn at once to a fuller treatment of them. These findings can in no way take the place of the complete text; they can serve only as a summary.

#### § 1. INDUSTRIAL UNREST

Your Commission found, in the countries visited, the social and economic bases of industry shaken to their foundations. The war had wrought great changes in industrial organization, in state control, in finances, in the distribution of wealth, in social groups. A readjustment to peace conditions in all phases of life was being found a difficult task. There was widespread discontent, particularly among the laboring classes, due mainly to the long strain of the war, the nervous effect produced by the extreme industrial efforts of the nation, the disturbance of normal economic life, the rise in the cost of living, and to the absorption of ideas from the revolutionary movements of Europe. In this condition of unsettlement radical labor leaders were growing bolder and were increasing their following. Catchwords and slogans, such as "nationalization," "collective bargaining," "democratization of industry," of wide appeal but of vague and uncertain import, were being used as rallying cries. It is with a vision of these peoples in mind, painfully struggling back to a tolerable working relationship, that your Commission presents its analysis of this situation.<sup>1</sup>

#### § 2. EFFICIENCY OF PRODUCTION

The industrial situation in Great Britain has been aggravated by long years of the fallacious economic

<sup>1</sup> For a full discussion of these points, see Chapter I, Introduction, pp. 1-19.

teaching among the workmen, that restricted output was necessary to avoid unemployment, and by long years of neglect of their employees by British employers. The labor unions had imposed upon many plants a "network of restrictions" which they were very reluctant to have removed even in the war emergency, and even with a guarantee of their restoration. It is now being found neither possible nor desirable to restore them, and labor is using this fact as a basis for new bargaining. This situation does not exist in France, where there is a shortage of labor, or in Italy, where unions are not strong and where agriculture, as in France, is the chief industry. In all countries similar systems of war bonuses to stimulate production and to meet increasing cost of living existed. There was a universal demand by labor for these war bonuses to be made a permanent part of peace-time wages. Piecework is the prevailing method of payment where the nature of the work permits. The demand for high speed production during the war awakened a great interest in the principles of scientific management in Great Britain, France, and Italy. Objection to the introduction of such principles is encountered on the part of British labor; French labor welcomes all labor-saving devices that will increase production, provided it may have some voice in the way they are to be used; Italian labor feels their desperate need for an increase in output and will co-operate in new methods. America has had a clear superiority in the use of machines and in large scale production. The industrial awakening in western Europe, however, must not be underestimated.<sup>1</sup>

### § 3. MANAGEMENT

Organized labor in Europe is making a loud demand for a new "industrial order." There is in this demand a direct challenge to the existing "capitalistic" system. Organized labor is demanding a share in management. In the criticisms launched against the present system there is much confusion of mind as to the economic function of management in which labor desires to share. Managerial functions include buying materials, mastery of technical processes, selling the product, financing the undertaking, organizing the factors of production. The manager is a laborer himself. In the corporate form of

<sup>1</sup> Full discussion in Chapter II, pp. 20-43.

organization the directors are managers. No group has a monopoly on managerial ability, which is largely innate; it is and should be drawn from all walks of life. Its rewards are largely the result of a scarcity of the required ability.<sup>1</sup>

#### § 4. UNIONISM

The ranks of trade unionists have been augmented during recent years in all countries visited, but especially in Great Britain, where there are upward of five and a half million members out of an estimated possible strength of fourteen millions. There is a concentration of union organization in the basic industries, such as coal mining, shipbuilding, textiles, and engineering, which account for one half of the total. While there is in British labor unions a decided tendency toward consolidation and unity through amalgamation and absorption, as in the Triple Alliance, there is still much "explosive power" within them. This is demonstrated by the recent "unauthorized strikes" and the development of independent assertiveness in the "rank and file movement." On the surface, the attitude of British labor is truculent, bellicose, and unruly; extravagant demands are being made without regard to economic considerations, as in the coal industry. The British public, and many employers, believe that the mass of laboring men can be relied upon for conservative, well-considered action. British organized labor wants collective bargaining in the sense of a recognition of the union, and does not want compulsory conciliation and arbitration. The miners refused to agree not to strike even during the war. Strikes and disputes were on the increase during the last two years of the war and have been more numerous since the armistice. Practically all the British employers interviewed were opposed to complete unionization on principle, even though they had accepted union restrictions in the shops. Employers' associations have repeatedly declared themselves to be ready and willing to deal with associations of employees. Unionization is apparently encouraged by the state for practical and for political purposes. British employers have a newly awakened interest in their labor problems and are in the mood to do much to make labor conditions better.<sup>2</sup>

<sup>1</sup> Cf. Chapter III, pp. 44-62.

<sup>2</sup> Full discussion, Chapter V, pp. 63-98.

## § 5. EMPLOYERS' ORGANIZATIONS

British employers have been driven to put aside much of their individualism and to get together during the war. The Government is now encouraging this tendency for after-the-war trade with such results as may be seen in the shipbuilding and marine engineering industries. There has been a considerable development also along the line of employers' associations with the machinery for dealing with both trade and labor problems. The same forces are at work in France and Italy. American business men should watch this trend.<sup>1</sup>

## § 6. SHOP STEWARDS AND WORKS COMMITTEES

A great change has come in the position of shop stewards. In their origin the shop stewards began as trade union delegates to watch over the observance of union rules regarding the details of workshop conditions. With the opening of the shop doors to great numbers of semi-skilled and unskilled workmen, they took on new functions; they began to build up their own following, and, with increased power, demanded official recognition by the unions. The shop stewards were desirous of becoming shop foremen in functions and to be the official representatives of the unions. So radical were these shop stewards, so dangerous in their ambitious leadership, so extravagant in the demands for control, that the employers were driven to aid the unions in subduing them. Coventry has been the hotbed of the shop steward movement, where the great strikes of 1916 and 1917 were engineered by them.<sup>2</sup>

The British Works Committee is an organization, with the shop as the unit, which affords the machinery for bringing employers and workmen together for the discussion of their common problems. These are of recent origin. They have three types of functions: (1) Social union committees, (2) welfare committees, and (3) industrial committees. Only the last type is of importance here. They have functioned badly or well according to the spirit that animated each side. Some sort of machinery for a full, free, and frank discussion of common problems is necessary. They are a means to an end, not a panacea.<sup>3</sup>

<sup>1</sup> Full discussion, see Chapter VI, pp. 94-122.

<sup>2</sup> See Chapter VII, pp. 123-137.

<sup>3</sup> See Chapter VIII, pp. 138-150.

## § 7. EIGHT-HOUR DAY AND MINIMUM WAGE

There is a movement in Europe, as well as here, to standardize and to constitutionalize by governmental action the length of the workday and a minimum wage. A law was passed by the French Chamber of Deputies, on April 18th, establishing the principle of an eight-hour day and leaving its application to each industry to the Minister of Labor. The former workday was 10 or 10½ hours. The same thing was being agitated in Italy. In England the demands were not only for an eight-hour day, a 44-hour week, but the miners were demanding a six-hour day with a five-day week. The work week in England has hitherto centered around 54 hours. It is contemplated that there shall be no reduction in wages, and that the war bonuses will be incorporated in the peace-time wage.<sup>1</sup>

The principle of the minimum wage has come to have increasing importance in all countries visited. In England the minimum wage was first applied to "sweated" trades, but now extends not only to poorly paid industries, where a large proportion of the workers are women, but also to miners and agricultural laborers. There is machinery for its extension in the Trade Boards Act of 1918, and there is evident the spirit to do so, in the report of the Joint Committee of the National Industrial Conference, April 4, 1919. A minimum wage law passed the French Senate and became operative July 10, 1915. It is not a war measure and is to be administered by wage boards in each Department. The question of a minimum wage, though agitated along with the eight-hour day, had not reached a climax at the time your Commission visited Italy.<sup>2</sup>

## § 8. UNEMPLOYMENT

There were "unemployment donations" in Great Britain, France, and Italy for demobilized soldiers and for civilian war workers thrown out of employment. The donation in Great Britain ran up to 29 shillings per week for adult men and 25 shillings per week for adult women. Its application followed the principles in the apportioning of trade union benefits to secure some check on the unemployed. The peak of the load for unem-

<sup>1</sup> See Chapter IX, pp. 151-169.

<sup>2</sup> See Chapter X, pp. 170-179.



ployment came in May; for soldiers, May 9, 409,959, for civilians, 683,441; total 1,093,400. A sum of £25,000,000 had been set aside for this purpose, and when the numbers were highest there was an estimated expenditure of £1,000,000 per week. It was a war expediency and probably with all its faults helped to allay some discontent.<sup>1</sup>

### § 9. HOUSING

Another social problem, like unemployment, is the housing problem. In France and Italy this is a matter for reconstruction, but in England it had to do with industry. The total number of houses called for in Great Britain, including new houses and those to replace existing insanitary structures, does not fall far short of a million. The Government authorized the expenditure of £4,000,000 by the Housing Act of 1914; regulated rents by acts in 1915 and 1917. To direct post-war building is the House and Town Planning Act of 1919. The British Government stands ready to initiate the building and to furnish the capital and to sell on long, easy terms.<sup>2</sup>

### § 10. CO-OPERATIVE MOVEMENT

There is a recent development among the co-operative societies in Great Britain that is of considerable interest. This is the new relation between the trade unions and the co-operative societies when the latter have put their financial resources at the disposal of the former. Many workmen were already members of the societies, and this was an appeal to secure a large clientele. A liaison has been established between British and Russian co-operative societies. The societies were driven into political action by the attempt of the Government to apply the excess profits tax to them. They will become a branch of the Labour Party.<sup>3</sup>

### § 11. POLITICAL LABOR MOVEMENT

Your Commission found the labor situation in western Europe shot through and through with political influences. Labor organizations and socialist parties naturally overlap to a very great extent in membership, socialist parties

<sup>1</sup> See Chapter XI, pp. 180-190.

<sup>2</sup> See Chapter XII, pp. 191-200.

<sup>3</sup> See Chapter XIII, pp. 201-211.

looking to workpeople for their chief clientele. Conversely, trade unions have taken over the socialistic teachings and have shaped their programs to secure a socialistic order of society.

(a) The Labour Party of Great Britain has taken the lead in an international movement for a "new social order," which involves "the universal enforcement of the national minimum wage, the democratic control of industry, a revolution in national finance, and the taking of surplus wealth for the common good." Their boldly expressed determination is to secure for the workers a larger and larger control over the management of industry.

(b) The British Government has encouraged the organization of workmen in order to have a responsible party with whom to deal in case of emergency. There has been, too, an element of "politics" in its advocacy of the Whitley Plan for district and national trade councils,<sup>1</sup> and many employers have been compelled to accept such unnecessary machinery through Government pressure.

(c) When the Triple Alliance issued its ultimatum, threatening to tie up all British industry if their demands were not granted, a National Industrial Conference was called by the Prime Minister to avert the crisis. It was a temporarily successful move, but the danger still threatens.<sup>2</sup>

(d) In France, the labor situation is much easier, even though the General Confederation of Labor is committed to a radical program and has been fomenting trouble through local and general strikes. France had a shortage of labor before the war, and with the terrible war losses there will be a much more serious deficiency now. French workmen are not organized more than 20 per cent. of possible strength. It was the consensus of opinion among those interviewed that if raw materials and coal can be had and the financing of manufacturing operations can be secured, there will be no serious labor trouble. France's industrial problem is one of finance. Hers is a people of property and bondholders; though it is the hot-

<sup>1</sup> Cf. Chapter XVI, pp. 235-257.

<sup>2</sup> Cf. Chapter XVII, pp. 258-271.

bed of revolutionary ideas, there seems now no danger of Bolshevism gaining headway.<sup>1</sup>

(e) In Italy labor is restless, though not highly unionized. It is divided into conflicting sections, whose differentiation has been due, historically, to political attitudes.<sup>2</sup>

(f) A politico-industrial movement, that is, a movement to secure industrial results through political activity, has become international. New machinery has been proposed as a part of the treaty of peace at Paris in the International Labor Office. The announcement of the so-called "Bill of Rights" of organized labor, which has been included in the treaty, is also of world-wide political influence.<sup>3</sup>

## § 12. NATIONALIZATION

In Europe generally, and especially in Great Britain, there has arisen a demand for nationalization of various industries. This is not merely a demand for national ownership but also one for national administration, generally with some measure of control on the part of the workers. For this latter development the teaching of the National Guildsmen may be held responsible.<sup>4</sup>

## § 13. COAL INDUSTRY

In the case of the coal mines of Great Britain there was considerable opposition to nationalization. This was based on the following grounds:

(a) Government control would be more costly and inefficient. Though profits were large during the war the normal margin is too small to allow for much inefficiency.

(b) The present system, though not without faults, has a past record of business-like development. Its faults can be cured by economies and the fuller use of machinery.

(c) The alarming reduction in output is not to be cured by government ownership. It is doubtful if the economies and machinery referred to could, under private ownership, offset the reduction in output manifest during recent years and resulting from the installation of shorter hours.

<sup>1</sup> Cf. Chapter XVIII, pp. 272-292.

<sup>2</sup> Cf. Chapter XIX, pp. 293-307.

<sup>3</sup> Cf. Chapter XX, pp. 308-327.

<sup>4</sup> Cf. Chapter XXI, pp. 328-342.

(d) Nationalization seems directed less to secure the national welfare than to give the miners a larger share in the control of the industry. The latter aim can be secured without nationalization.<sup>1</sup>

#### § 14. KEY INDUSTRIES

The bitter experience of Great Britain during the war when she found herself cut short of a supply of essential materials for food, clothing, and munitions, started a general movement for national control of "key" or pivotal industries. The principle back of this movement and announced at the Paris Conference of 1916, is to make the nation independent in the matter of materials needed for its defense and well-being.<sup>2</sup>

#### § 15. PROPERTY RIGHTS

The rights of private property have been undergoing a modification within recent years. Extension, during the war, of government control, the widespread use of the power to commandeer, has quickened these changes. Legislation on income taxes, on inheritance taxes, on excess profits taxes, the requisition of securities, the demands for a levy on capital, for an increased share in management, for nationalization, for "land reform," in Great Britain, are manifestations of these changes. The most significant element in these changes is the demand of labor for a new social order, and by the labor group, called Guildsmen, who preach the doctrine of a democratic industrial state.<sup>3</sup>

#### § 16. POINTS TO BE EMPHASIZED

Your Commission calls especial attention to the following significant facts:

(a) Many phrases used in the discussion of industrial problems abroad had acquired radical meanings. Furthermore, the old terminology of labor discussion has likewise taken on new and radical meanings which have a dangerous portent for orderly and peaceful industrial development. Many of these phrases were being used for propaganda purposes.

<sup>1</sup> Cf. Chapter XXII, pp. 343-372.

<sup>2</sup> Cf. Chapter XXIII, pp. 373-381.

<sup>3</sup> Cf. Chapter XXIV, pp. 382-394.

(b) In the political activities of organized labor there was developing a strong radical force under the control of ambitious and irresponsible leaders which seemed likely to prove a great menace to property and industry.

(c) The preaching of socialistic doctrines, persistent, aggressive, irresponsible, for selfish purposes, is having its effect upon the organized workers. The forces which, undirected or wrongly directed, have brought the industries of Great Britain to such a critical condition, should not, by our careless passiveness, be permitted to produce the same effects upon our own.

(d) It is not this or that kind of machinery for bringing employers and workmen together, but the true spirit of fair, frank co-operation, that will resolve the industrial problems of today.

(e) American employers should become aware of the fact that many of the immigrants to this country from Europe have had experience in unionism and training in socialistic or more radical doctrines, in sabotage or "ca'canny" methods.

(f) American manufacturers should not err in underestimating the industrial awakening in Great Britain, France, and Italy, due to the demand for high speed production during the war. New methods, new machinery, greater energy and intelligence will undoubtedly characterize the after-war competition in foreign markets.

(g) All the influences that have been making difficult the readjustment to peace conditions abroad are working into our own industrial system. The outcome of the wrong point of view in Europe should serve as a warning to keep industry in the United States from drifting into the same difficulties.

(h) New forces have been let loose upon the political, social, and industrial world. Industrial changes are inevitable and are desirable or undesirable according to whether they make for orderly progress, better well-being for all, or whether they become disruptive, revolutionary, obstructive, and perverted to selfish ends. The danger of this latter outcome does not lie wholly within any one group, neither wholly among workpeople nor wholly among employers.



(i) There was much being said in Great Britain about the importance of certain essential industries, called the key, or pivotal, industries. Organized labor, likewise, was coming to look upon itself as being in a strategic position to control industry, and certain workmen were coming to look upon themselves as key men whose activities were essential to industrial activity. An illustration of this can be found in the expressions of the leaders of the Triple Alliance. It is true that in our interlocking industry certain men are essential to continuous activity. It is likewise true that certain material may be pivotal, or a certain industry, or a certain machine. All talk about the essential character of the workman is both unfortunate and unwise. In a great co-operative industry like ours, almost any element may become pivotal. Successful development can be achieved only by a recognition of this fact and by a harmonious co-operation on the part of all those engaged in it.

(j) Without doubt the main recommendation of your Commission to American industrialists, after its examination of conditions abroad, is that each employer should regard it as his personal duty to establish direct and cordial relations with his workers. It will not do to drift into a policy of neglect, as have some British employers in the past, which has borne such bitter fruit in the dissatisfaction of the present day. The employer must see to it that no charge can be brought against him of not intelligently looking out for the interests of the rank and file in his establishment. Everything depends upon the spirit of humanity and sympathy which animates both parties to the wages contract. First of all, more is expected of the fortunate and successful, because of *noblesse oblige*, than of those who have had less opportunity and success. The employer must take the lead; much in the way of leadership is expected of him. He must generally plan to prevent grievances from rising by showing a genuine interest in a fair system of remuneration, in healthful shop conditions, the proper and sanitary housing of his workers, and the welfare of the community in which his plant is located. If he is really at heart trying to raise the standard of living, as he ought, of his employees, he should, moreover, be occupied not only with questions of wages or material rewards, but

with matters which will cultivate the intelligence, morals, and character of men. Granting this attitude of mind, then, there must be a corresponding point of view on the part of labor if any permanent and peaceful adjustment is to be accomplished.

(k) It is to be kept in mind that there seems to be no organized effort to combat the effects of the long-continued teaching of socialism which, as we have seen, now colors the opinion of the more extreme labor leaders. More elementary teaching is needed to show that capital is as essential to industry as labor, and that capital is the one factor of production which assumes practically all the risks of uncertainty and loss. Nor is it realized how moderate are the actual returns to capital itself, and how large a part of what is loosely termed "profits" is a return to services of management which is open to any laborer having executive ability. In the careless thinking of the day certain groups of men have just discovered that they are essential to the employment of other men in industry, wholly oblivious that, as distinguishing modern from primitive production, co-operation between all kinds of workers is essential to obtaining our daily satisfactions. Due to this very characteristic of interwoven co-operation, with its complex of division of labor, only are men able to wring products from nature which enables us to maintain our present standards of living. In short, on these and many other economic questions, your Commission wishes to emphasize the need of education on a scale and of a quality not hitherto understood. It would be impossible to exaggerate the magnitude of the educational problem facing our whole social and industrial future. It is impossible for our proper safety to accept supinely the tendency which introduces a policy of force into the relations of employer and worker, and of political action on economic matters, which, if allowed, are fated not only to corrupt our politics but also to destroy our industrial prosperity.

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