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British Industry Today

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A Study of English Trends
in Industrial Relations

By

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New York and London

HARPER & BROTHERS PUBLISHERS

1929

BRITISH INDUSTRY TODAY

Copyright, 1929, by Harper & Brothers

Printed in U. S. A.

First Edition

F-D

X : 981.3

F9

8281

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CHAPTER I

Labor's Changing Front

HUMAN relations in European industry appear today in flux; they may, indeed, be verging upon a profound change. Outside of Russia the curtain seems to be falling upon the Marxian orthodoxy. Whether it marks a true "finale" or merely a pause for change of scene depends upon how the parties to industry heed the new cues.

Labor is seeking new methods. Its leaders who once believed in the inevitable deterioration of capitalism are now considering means for increasing industrial efficiency. The same union officials who but recently insisted upon the antagonism of interest between employers and employes now attempt, in the words of a past president of the British Trades Union Congress, to discover through joint consultation "how far and upon what terms cooperation is possible in a common endeavor to raise the workers' standard of life."¹ Looking ahead

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into the future they stress not the steady impairment of industry through an unceasing conflict of classes but, to quote the Secretary of the Congress, "the part which the workers' organizations are qualified to play in the promotion of efficiency, economy, and scientific development in the productive system."²

FACTORS MAKING FOR A NEW SPIRIT IN INDUSTRY

In part this change of attitude, this searching for a new policy, springs from bitter experience in the post-war years. Old methods of militancy and conflict failed to work. Strikes crippled industries already weak in a rapidly shifting economic world; often they brought the workers lower wages and poorer conditions. Nor did lockouts strengthen competitive ability; they did embitter the very workers whose cooperation is indispensable to efficient production. So recognition has been growing that the first problem now before employers and employes in each of the major countries of Europe lies not in how to divide the product of industry but rather in how to restore industry to such a state that there will be something appreciable to divide.

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In part also the change can be traced to American influences. Whether it be true or not, Europeans believe that our amazing prosperity is due in large measure to the application of scientific methods to the conduct of industry, and to a high wage policy which results in an increased domestic market. They call attention, too, of course, to the advantages of our protected, continent-wide home market, our great natural resources, our youth to which time alone will bring the problems now confronting older Europe. But when all these things have been said, interest and attention focus in Europe on the results of our new policies in industrial organization.

Thus the word one hears more today than any other when discussing industrial problems in Europe is "rationalization." This term has not yet received precise definition. In its best sense, however, it means to the European the application of American "scientific management" not only to individual plants, as has been our practice, but to an entire industry both on its productive and distributive sides. What makes the whole development most interesting and significant, particularly in England, is the fact that the labor group is today exerting pressure upon

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employers to make industry more efficient. This becomes the more remarkable when we recall that the labor movement there as in most of Europe is dominantly socialistic. But the force of events is fast consummating a strange alliance—even in Russia—between Karl Marx and Frederick W. Taylor; and although the theory of Taylorism, as they call it, still meets denunciation among labor men, its practice, or rather that of modern scientific management, is rapidly gaining their advocacy.

REACTION FROM PHILOSOPHY OF REVOLUTION

This transformation in industrial philosophy is rendered especially impressive by the turmoil of the years that went before it. For more than seven years after the Great War, Europe lived in fear (or hope) of revolution. Russia had toppled century-old czarism with an ease which astonished the Bolshevists themselves. This example restless workers and returning soldiers everywhere seemed eager to follow. In Hungary the old regime soon exploded beneath their push to power. In Italy they seized factories; in Germany, workers' and soldiers' soviets captured towns, cities and states. And even

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England, steeped in historic traditions of constitutionalism and peaceful change, saw in tense succession the threats of the Triple Alliance of miners, railway and transport workers; the railroad strike of 1919; the coal stoppages of 1919, 1921 and 1926; and, finally, only three years ago, the general strike.*

In many ways the general strike of 1926 appears to mark the end of this epoch in post-war Europe. Among the results must be noted more than the recoil of dictatorship upon southern and eastern Europe, more than the slow recovery of trade and fiscal systems. We must include also the change in the philosophy and tactics of labor, which, if given a fair trial, may refashion the pattern of human relations in the major industrial countries of Europe. It is altogether unlikely that the present generation of labor leaders in Great Britain, Germany, and much of central Europe will again muster their men in a general strike or countenance a revolution. They have been studying the industrial machine; no longer would they wreck it as a preliminary to assuming control. Instead they

*It is questionable whether the term "general strike" is entirely accurate. In fact the British trade union movement has always called it a "national strike." We prefer to use the more familiar term to avoid confusion.

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urge its organization, coordination, and improvement, with the workers assured, of course, a fair share of the gains.

If those who are today in power in European industry utilize this new spirit with broad vision and understanding, a new experiment in social change may unfold, peaceful and controlled. If not, violent upheaval again becomes a possibility. For the same events which have led the majority leaders of labor to season their Marxian formulae with the scientific management of Frederick W. Taylor, have also created an uncompromisingly radical Communist minority. These in turn denounce the new policies of the labor movements everywhere as class collaboration; they will naturally seize upon failures as a means of attaining immediate power and ultimately precipitating a revolution.

SIGNIFICANCE OF BRITISH EXPERIENCE FOR THE UNITED STATES

These new attitudes of labor might in themselves justify a book on industrial relations in Great Britain. They are important for European industry; they parallel closely policies which have been recently winning increased sup-

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port from the trade unions of this country as well as of continental labor movements. Labor generally has been showing a new concern over the efficiency of industry and a new willingness to cooperate in achieving it.

But the primary purpose of this book lies in the fact that the industrial experience of Britain holds significant lessons for the United States. The major industrial country of Europe, Great Britain approximates this country closely in methods of thought and approach. Industry in Great Britain has long been animated by three principles generally current in the United States: voluntary control from within industry itself, individualism, and decentralization. Britain's greater age has already confronted her with problems which passing time is fast accumulating for us, too. In short this book is presented to all interested in the development of sound industrial relations in the United States in the hope that the practices of an older country may help us to understand and deal not only with new trends but also with difficulties which have been confronting us for some time.

That problems exist in spite of our unprecedented prosperity is well known to those con-

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versant with the facts of our economic life. Periodically we awaken to the existence of an unemployment crisis; its dimensions are never known, but that it is considerable no one denies. When it occurs it brings sharply to light the fundamental insecurity of the American worker, and the need for somehow rendering the results of scientific management and mass production compatible with his welfare. In spite of experiments here and there with unemployment funds and benefit schemes, the American wage-earner has no real protection as yet against the hazards of unemployment, sickness, invalidity and old age. Large masses of workers, again, are earning wages too low to afford them a reasonable standard of living. Coal has been in continuous turmoil since the war; textiles and agriculture have been seriously depressed. A conflict is on between company unions and trade unions.

Problems similar to these have been before Britain for a long time. We can learn from the manner in which she has grappled with them. While Britain is turning to us to study our methods of administration, we should not fail likewise to derive whatever lessons her long history has to offer. Just as there is danger that

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our post-war prosperity may obscure our defects, so there is danger that Britain's post-war depression may obscure her contributions. These contributions are indeed many. They embrace not only broad social and industrial policies written into law and collective agreements between employers and labor, but also, as in America, experiments launched by individual pioneering employers who are blazing new paths in improving relations between management and men.

The widely-discussed Mond-Turner Conference * between a representative group of employers led by Lord Melchett (formerly Sir Alfred Mond) and the General Council of the Trades Union Congress, is but the most recent attempt to turn established industrial machinery to new purposes. It is the latest link in a long evolution toward joint responsibility in, and cooperation for, increased industrial efficiency and a rising standard of life.

* The formal title of the Mond-Turner Conference is Conference on Industrial Reorganization and Industrial Relations. We use the briefer and more popular designation, after the names of the respective chairmen under whom the Conference was launched.

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A FIRST-HAND INQUIRY

The story of these policies and experiments in British industry, gleaned in the course of a European investigation during the year 1927-1928 is here presented. We interviewed employers, labor leaders, government officials, works managers, superintendents, foremen, and employe representatives; visited numerous industrial establishments, where we observed at close quarters the operation of works councils, trade agreements, and other forms of employer-employe relationships; attended various conferences and meetings; and finally studied the records, those published and those available only in the files of union offices, business concerns, and government departments.

We gathered a large amount of data during this investigation. We wish the reader to look upon this book, however, not as an exhaustive study, but rather as an exploratory survey of the field. Ideally each of the subjects dealt with should be treated as a separate, carefully documented monograph. In fact, we ourselves hope on later occasions to submit to the specialized reader in labor economics and industrial management detailed papers on some of the as-

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pects treated here, as well as similar material from other countries which we gathered in our study. We hope, too, that other research workers will make intensive studies of the various phases of European industrial relations, so many of which are significant for this country. We shall be content on this occasion if the reader will look upon the results in the pages that follow as a reportorial job by two investigators who have specialized in industrial research and who brought to their European inquiry a fairly close acquaintance with the problems of industrial America. We take this opportunity, finally, to acknowledge our gratitude to government officials, trade union leaders, employers, and scholars for their courteous cooperation and for the many facilities they put at our disposal.

CHAPTER II

Maintaining the Peace During Depression and Instability

A SHARP surprise awaits the American observer of labor relations in Britain today. He will soon have to free his mind from the picture of continuous conflict in British industry created by years of newspaper reports. He will find, instead, old gospels of militancy receding—at least for the time being—before attempts to attain some constructive understanding between employers and employes. Almost daily the press of the country carries speeches of prominent and responsible labor leaders, in which they deplore the use of the strike weapon and urge the extension of conference and consultation. Private interviews with the same men confirm their public utterances. That they mean what they say is evidenced by the fact that the year 1927 registered the least number of stoppages, involving the least number of workers and entailing the smallest loss of time

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over a period of thirty-five years; 1928 made an almost equally peaceful showing.¹

PEACE, NOT CONFLICT, THE DOMINANT NOTE

But in fact the picture never was really as dark as it came to us. Peaceful negotiations unfortunately do not make good "copy." Newspapers report only huge, dramatic conflicts. Stories of the turbulence in coal mining, with its three national stoppages since the war; the mobilizations of the now deceased Triple Alliance of miners, transport workers, and railway men for the purposes of striking simultaneously; the fulminations of an occasional labor leader and finally the general strike itself—gave us in America the impression that Britain was in constant turmoil and on the brink of revolution.

Nothing could have been further from the truth. Harmonious adjustments rather than large-scale conflicts characterize the typical daily conduct of industrial relations in Great Britain. The iron and steel industry has not suffered a major strike or lockout for more than thirty years. The metal trades—or engineering, as they are known in England—have seen

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only one large-scale conflict since the war—a lockout in 1922. The boot and shoe industry has not seen a strike or lockout of any consequence since 1893. The list can be enlarged; its full showing is an impressive one. Indeed, for every conflict which looms large in the public mind, literally thousands are quietly and amicably settled.

COAL ONLY INDUSTRY IN CONSTANT TURMOIL

Only coal has been marked by chronic turbulence. It alone has been responsible for about three-fifths of all the time lost through strikes and lockouts since the war as well as during the twenty years preceding it.² Even the general strike had its origin in the coal dispute of 1926. We in America are familiar with the extent to which underlying economic factors make for unrest in coal. Britain has all of the difficulties which have made bituminous so unstable in America—and more.

Indeed, the wonder is not that coal has been so turbulent, but that other industries in Britain have been relatively so free from stoppages. For during the past eight years industrial relationships in Great Britain have labored under

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the handicap of an economic depression more severe and more protracted than any known in her previous industrial history. It is a depression which strikes at the very roots of her economic life. For it affects in the main the huge export industries upon which her industrial supremacy has been built. For eight years coal mining, iron and steel, metal trades, shipbuilding, and textiles have been unable to free themselves from the heavy burdens of unemployment and stagnation with which the war left them.

PRESENT DEPRESSION MOST SERIOUS

During all these years the total number of unemployed wage-earners has never, with the exception of a few scattered weeks, dropped below 1,000,000; it attained an average of 1,825,000 in 1921, and due largely to the stress in the older coal fields since the seven months' stoppage in 1926, the figures rose above the million mark in 1928, where it has remained thus far in 1929.⁸ In other words, for some eight years at least one-tenth of the able-bodied workers in British industry have been unable to obtain employment. In spite of the difficulties of statistical comparisons, it appears that the

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average load of unemployment during the post-war period has been at least from two to two and one-half times greater than that of pre-war years.⁴

To be sure, the industrial horizon is not unrelievedly black. For one thing, a group of industries, known as the "sheltered" or "home" industries because they produce mainly for the home market, have enjoyed relative prosperity. They include building and allied trades, public utilities, distributive trades, food trades, beverages, and automobile manufacturing. Again, even some industries that produce largely for foreign markets have attained a relatively high degree of prosperity. Artificial silk, chemicals, and electrical machine manufacturing, for instance, have succeeded in lifting themselves well above the general depression.⁵

It also appears, as will be shown in the following chapter, that the standard of living in Britain has risen above the pre-war level. A determined optimist could also glean some facts for encouragement even from the position of the export trades. For Britain's proportion of world trade has not materially declined. Just before the war she obtained some 13 per cent of the total export trade of the world. In 1924 and

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1925 her share amounted to about 12.5 per cent.⁶ Internal difficulties the export trades undoubtedly have had to face. They have had to grapple in varying degree, for instance, with a stubborn individualism that has militated against necessary amalgamation and reorganization, the crippling effects of the coal stoppages, the early restoration of the gold standard, overcapitalization inherited from the war period, a system of local taxation that has worked especial hardship on depressed areas, and financial stringencies arising out of the depression, which in turn curb essential expenditures for improvements.

But the real heart of their problem must be admitted to lie in world conditions—in a decline of total trade. Reduced purchasing power, fluctuating currencies for many years, the growth of new local industries, custom and tariff walls multiplied by the increase of small nations in the post-war world, the rise of substitute fuels and textiles, have lessened the total amount of world trade for which British industry can compete. In view of these new conditions, Britain's maintenance of approximately her pre-war percentage of available foreign trade may be regarded as an indication of her fundamental industrial strength.

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But after all allowance has been made for every possible factor of encouragement in the British situation—one must return always to the dominant fact that her basic industries are depressed to an extent never known in her previous history. The brightest features can merely soften and qualify the results of this depression. For it must be remembered that Britain more than any other nation is an urban, industrial country with all the lack of self-sufficiency that her development has made inevitable. In 1925 she imported one-fifth of the total exports of all other countries, a far larger share of world production than is accounted for by any other single country.' To continue these imports she must be able to export her own products in part payment for them. Upon this exchange her industrial supremacy has been built; upon this exchange her industrial recovery depends.

It is against such an economic background that one must read the industrial history of post-war Britain, against the interplay of problems the like of which we in the United States have not begun to encounter. We are accustomed to dwell upon what we term our sharp and peculiar difficulties—the heterogeneity of

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our people, the multiplicity of the languages they speak, the variations of administration created by a large and unevenly developing country. Yet such problems loom small indeed in comparison with the prolonged stagnation with which Britain has been visited since the war.

DISCONTENT KEPT IN ORDERLY CHANNELS

These conditions have naturally produced deep-seated unrest among the masses of the workers who had looked forward to a new and better day after the Great War. It is one explanation, as we shall later see, of the readiness with which they walked out on general strike in sympathy with the miners in 1926. For here was presented for the first time a long-sought opportunity to voice their protest against the manner and direction in which industry appeared to be drifting. That their discontent did not break out into more frequent strikes and upheavals is no doubt due in large measure to the operation of old, historic machinery for the conduct of industrial relations. As the nation now begins to accept the unpalatable but

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patent fact that so long and protracted a depression indicates the necessity for fundamental measures of reconstruction, it is to this same historic machinery that it turns as the agency of peaceful adaptation to the new day.

CHAPTER III

Self-Government in Industry

FOR over thirty years, and in some industries for a much longer period, industrial relations in Great Britain have been governed in the main by orderly methods formulated in trade agreements. At present these agreements are generally national in character—that is, each one covers an industry as a whole. They are negotiated by the trade unions and employers' associations concerned. Organization of both sides, of employers and employes, is the foundation upon which the structure of British relationships in industry now stands.

This widespread practice of joint dealing is the result of historic development. Not always were British employers willing to deal with trade unions. Before 1890 few unions were accepted as the representatives of the workers in the determination of wages and working conditions. Indeed, the railwaymen did not obtain their first national agreement until 1911. By

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the outbreak of the war, however, this phase had passed. Today but few employers conceive of formulating labor policy without consulting the unions holding members in their industries.

THE PARTIES TO TRADE AGREEMENTS

On the employers' side one association usually is formed for each industry or each major section of the industry, although cases exist, as in the distributive trades, where the employers have practically no effective combination. The Ministry of Labor reports some 2,400 employers' associations in Great Britain, but this large total includes many small bodies which belong to national organizations.¹ Most of them are affiliated to two central organizations of employers, the Federation of British Industries and the National Confederation of Employers' Organizations. It is the latter that deals with matters pertaining to industrial relations, although it is never a party to industrial agreements; the former confines itself to financial, commercial, legislative, international, and other subjects of broad general policy.

The trade unions present a complex and varied organization. Unlike the practice in this

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country, it is seldom that one union exercises an undisputed sovereignty over all the workers in a craft or trade; in the metal trades over 130 unions cater for the workers, and in important dealings with the employers' association 50 unions are often represented.* While this presents an extreme case, few industries exist where negotiations are conducted by less than three unions. On the whole, no less than 1,100 separate unions function at present in Great Britain.

The combined membership of these unions makes the British trade union movement one of the strongest, if not the strongest, in the world. In the thirty-four years 1892 to 1925, inclusive, total union membership increased from 1,576,000 to 5,522,000. During the decade immediately preceding the war the figure more than doubled, rising from slightly under two millions at the end of 1903 to more than four millions in 1913. During and immediately after the war, the increases became still more rapid. From 1914 to 1920, or within the space of seven years, membership rose to a peak of over eight and one-third millions, thus once again more than doubling. Since 1920 a variety of causes has made the unions lose some three-fourths of their

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war gains. But the present membership of nearly 5,000,000 still records a marked increase over the pre-war figures. Some three-fifths of all adult males in the employed population, and about one-third of the whole industrial wage-earning population, are enrolled in unions, a proportion few other countries can equal.³

THE TRADES UNION CONGRESS

Although the division of this membership among more than 1,100 separate unions undoubtedly creates a problem, it is not as vexed as at first appears. For about five-sixths of all organized labor and practically the whole of its effective forces are concentrated in 100 principal unions.⁴ All of these, together with many minor ones, are affiliated with the Trades Union Congress, the central organization of British labor. At present this body possesses less authority over its affiliated members than does the American Federation of Labor to which it roughly corresponds. It has no power of decision, for instance, in jurisdictional disputes. But a persistent agitation has been carried on for granting it increased powers. In further pursuit of concentration of authority the Con-

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gress as well as its constituent organizations is energetically pushing schemes for amalgamation among the unions. A measure of success has crowned these efforts; the number of unions has been decreased. Where outright amalgamation has not yet been achieved, many organizations seek unity of action through inter-union agreements and preliminary consultation before entering upon negotiations with employers.

THE LABOR PARTY

In 1900 trade unions entered upon a program of independent political action by launching the Labor Party. Until 1927 the Labor Party drew the bulk of its funds from levies paid by the unions out of the dues of all members save those who formally objected in writing. The practice is now prohibited by the Trade Disputes and Trade Unions Act, 1927, unless the member expressly authorizes it in writing. This reversal of "contracting in" for "contracting out" has already inflicted losses in revenue through the inevitable apathy, inertia, and passiveness usual to masses in any democratic body. There is no doubt, however, that the unions will

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continue the bulwark of the Labor Party's strength.

CONTENT OF TRADE AGREEMENTS

Such, then, are the parties to the trade agreements. They not only negotiate, but are also responsible for enforcement. For Great Britain has never, save only during the war emergency, adopted any system of compulsory arbitration. Both sides remain free to strike or lockout at any time save as they themselves limit the use of these weapons. Their trade agreement is thus purely voluntary and depends for its effective execution upon the good faith of the signatory organizations and their power to discipline recalcitrant members.

The specific contents of the trade agreements vary considerably. But in general they cover the same fundamental matters. They define the scale of wages and methods of payment, hours of labor, overtime regulations, rules for apprenticeship, holidays and other conditions of work. They also usually provide a method for handling grievances and for interpreting the agreement in its application to day-to-day shop problems. Finally they generally stipulate the period of

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their currency. In only a few industries is this less than one year. On the other hand, a good many agreements provide no fixed period, but are terminable on notice of a specified period given by either side.

While most agreements are national in scope, allowance is generally made for differences in local conditions. Variations are particularly frequent in the matter of wage rates, where provision is made, among other things, for the differences in cost of living encountered by workers living in small or large towns, in rural or urban areas. Grading schemes commonly set London in a category by itself in recognition of the fact that the cost of living is probably highest there.

The details of wage determination in many agreements present an almost baffling complexity, a result of the long historical development through which so many of the agreements have passed. Thus it happens that a certain basic rate for a given type of work in an industry may have been established many years before the war. This rate is maintained from year to year, while increases and reductions may be stipulated as per cent additions or subtractions, or may be automatically calculated in accord-

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ance with some agreed principle, as, for instance, the selling price of the product. To the same base, with these additions or subtractions may also be added special bonuses granted during the war.

COST OF LIVING SLIDING SCALES

A unique feature incorporated into many wage agreements since the war has made a sliding scale based on changes in the cost of living an automatic regulator of wages. There are at least eighty such scales in operation, some affecting thousands of workers, others confined to a comparatively unimportant branch of a trade. It is estimated that about 2,500,000 workers are covered by such schemes.⁸ This method of wage determination won wide acceptance during the war, when the Committee on Production and the various arbitration boards confronted with frequent wage disputes arising out of rapidly mounting living costs established it as an automatic means of wage adjustment. Although hardly any two sliding scales are alike in detail, the fundamental characteristics of all are the same. They provide in the main for the periodic adjustment of

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wages according to the fluctuations in the index of the cost of living as computed by the Ministry of Labor. From a particular level of the index chosen as a starting-point, specified additions or subtractions are made to or from the basic time or piece rate for every specified rise or fall in the cost of living.

The opinion prevails in Britain that these sliding scales have helped stabilize conditions during a difficult transition period. But whether their use will be permanent is not yet predictable. Groups of workers have urged that, inasmuch as an inadequate basic wage may have been granted in the past, the sliding scale (moving about it as a level) limits their advance. It makes no allowance, they say, for advances in the standard—as contrasted with the cost of living. They protest, too, that it is degrading to them to have their wage determined by a “subsistence” measure (a “fodder wage,” they call it) which would not be accepted by any other class of the population. The cost of living index computed by the Ministry of Labor, they further allege, is not satisfactory. On the other side, proponents of the scheme argue that it promises a diminution of friction invariably caused by the need of adjusting

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wages to changes in the price level; that the very acceptance of the principle of a living wage leaves the workers free to press for advances in standards; and that, as in the case of any social device, defects may be corrected without necessarily losing advantages.

SHIFT FROM TIME TO PIECE WORK

The evolution of the trade agreement reflects how acceptance of the importance of productive efficiency has been developing quietly and almost unconsciously through the years. Thus a shift has taken place from time to piece work as a method of wage payment. Since the war it has spread rapidly even in engineering—or metal—trades, where opposition on the part of the workers had had its strongest and most traditional hold. Representatives of unskilled and semi-skilled workers have even asked for the inclusion of their members in schemes of payment by results. In 1906 only two-fifths of the workers in the main export industries were employed on a piece work basis. In 1926 it was calculated that piece workers in these trades practically equalled time workers. In general the system most commonly adopted is that of

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straight individual piece work, although one finds here and there experiments with bonus schemes of one kind or another.

All union officials insist, of course, that the workers should be safeguarded against abuses with which their past experience has unfortunately familiarized them. Protections against speeding-up, against reductions in the rate when earnings increase, and against arbitrary determination of standards are made part of the contractual clauses which give employers freedom to introduce piece work systems. The main form these protections take are: (1) prevailing time rates are guaranteed as a minimum irrespective of piece work earnings; (2) rates are set at a level sufficiently high to enable a worker of average ability to earn a stated amount varying usually from 25 to 33½ per cent over existing time rates; and (3) procedures are established for the adjustment of all disputes and grievances arising over the application of any method of payment.

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BREAKDOWN OF OPPOSITION TO NEW MACHINERY

Together with the general acceptance of piece work must be placed the current attitude of trade unions toward the introduction of new machinery. It is too generally taken for granted that British workmen actively oppose technical improvements and hedge production about with restrictive practices. Today some of the most powerful unions urge the adoption of all known improvements as a way out of Britain's economic depression. They insist, of course, that the conditions of introducing technical improvements should be jointly negotiated so that the interests of the workers may be properly safeguarded.

Employers in Britain repeatedly told us that they have no difficulty in introducing improvements of any kind, provided they negotiate beforehand with the unions concerned. An official of one of the most powerful employers' associations, representing an industry where opposition to labor-saving devices has been strong, said to us: "Trade unions today do not oppose the introduction of new machinery. There is a whole lot of nonsense spoken about ca' canny.

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Undoubtedly ca' canny once existed in industry. But now much is given that name that is not ca' canny at all. For really it is impossible for even the best man to work at the same uniform level throughout the year. His health may affect his work one day, the state of the weather on another, a quarrel with his wife on the third. That's all there is to it." Such complaints from employers as we did hear revolved about difficulties created at times by strict rules on the demarcation of work between various unions rather than by any opposition to the introduction of improved methods. We ourselves visited plants where labor-saving devices had been assembled from all parts of the world, including Germany and the United States, and introduced with the consent of the trade unions concerned.

ATTITUDE OF MANAGEMENT

We do not mean to give the impression that British employers are uniformly satisfied with the way in which the joint machinery here described has worked or with the position taken by trade unions from time to time with regard to management policies. One still hears com-

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plaints, for instance, that while union leaders agree publicly to the desirability of labor-saving machinery and to the extension of piece work, the introduction of these devices in particular plants is quite another story. There are complaints also about arbitrary and short-sighted union officials, especially in local areas, who interfere in one way or another with the freedom which management would like to enjoy in the organization of work or in transferring personnel from one job to another. And particularly is the objection heard that trade unions are too much in politics and that their loyalty and enthusiasm for measures urged by the Labor Party often blinds them to the practical problems arising in industry.

But it was significant to us as American observers to learn, as we interviewed British employers, that although they might be critical of this or that feature as worked out in practice, they generally regarded trade unions and the machinery of negotiation developed with them as indispensable elements of their labor policy. We had an unusually good opportunity to sound employers' opinions on this point because shortly after our arrival in England the Trade Disputes and Trade Unions bill was introduced in Parlia-

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ment. This bill was a Conservative Party measure with the objective of limiting considerably the power and activities of trade unions. Yet few indeed were the employers who expressed a favorable opinion of the bill. "It is a mistake," was the typical statement from an official of one of the largest employers' associations, "a political and industrial mistake. We do not want to crush the unions. Organization is inevitable; workmen will associate to improve and protect their conditions. Moreover, I personally prefer to deal with strong unions. They can maintain better discipline and thus assure observance of contracts."

We got the distinct impression from our interviews with British employers that they often found it difficult to visualize a personnel practice under which management made individual labor contracts with every employe. "Without trade unions there is chaos in industrial relations," said an executive of a large shipping undertaking. "I would rather deal with organized labor than with individual workmen. In our case, for instance, we employ several thousand men. How could we deal with them individually? It is far better for us to negotiate with one or two intelligent officials who know the

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condition of the industry. Then, too, we can rely upon these representatives to carry out the agreements reached."

Again, as British employers compare present conditions with those of a former day, they recognize the extent to which trade union regulations have helped to eliminate the ruthless competition of the low-standard employer. In most industries, as already indicated, national agreements prevail, the terms of which cover an entire industry. Business men generally have come to regard this as a distinct benefit. For now an employer can be certain that his competitors throughout the nation will have to observe the same conditions of employment and pay the same wages, or agreed differentials. The stronger the union, the more effective the enforcement of the national agreement; and the more certain the fair employer, therefore, that a competitive equality in basic labor costs will be maintained.

It is possible, of course, that British employers may be making a virtue of necessity. Realizing the strength of the tradition of organization and class solidarity among British workmen, they may be bowing to the inevitable when they negotiate so extensively with trade unions.

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Perhaps; yet that cannot be the whole story. For if they had wished to deal a smashing blow to organized labor, a golden opportunity was offered them in 1926. The unions had lost the general strike, their treasuries were depleted. Moreover, they had violated their contracts. They had also outraged national public opinion, or at least that part of it which was articulate. But only here and there did an employer refuse to resume dealings with the union operating in his industry. They made no general attempt, in spite of their knowledge of American practice, to organize company unions. During the course of the year joint relations were resumed, with some exceptions, much as they had been before.

WAGE LEVELS

The welfare of the British workers depends, of course, on the actual wages and conditions which they have been able to obtain through the joint machinery. The movement of wages has followed an uneven course as between the "unsheltered" export trades and the "sheltered" home industries, and as between the skilled craftsman and the unskilled laborer.

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Thus it is estimated by the Committee on Industry and Trade that in the export industries wages as measured by rates of pay increased on the average between 1914 and 1924 by about 60 per cent, while those in the industries manufacturing primarily for home markets have advanced by about 100 per cent. Similarly unskilled and semi-skilled workers have advanced their wages since the war by 80 to 90 per cent, whereas the average increase of skilled workers within the same period has been only 60 to 70 per cent.⁶

Wide prevalence of short-time and intermittent employment, however, at once suggests that wage rates may not be an entirely satisfactory measure of earnings. In 1924 the Ministry of Labor conducted an inquiry into the actual earnings and hours of some 5,000,000 workers in the chief manufacturing industries and some important non-manufacturing trades. Its findings revealed that men were actually earning on the average per week some \$14.06 (56 shillings, 3 pence), while women averaged per week \$6.81 (27 shillings, 3 pence).⁷

On the basis of the wage and cost of living indices furnished by the Ministry of Labor, the Committee on Industry and Trade estimates

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that in 1924 real rates of wages for all workers were about the same as before the war.⁸ On the other hand, Bowley and Stamp, allowing for the influence of shifts from time to piece work and from hard-hit to better-paid occupations, postulate an increase in real wages since 1914 for all workers in full-time employment of about 11 per cent.⁹ It must be remembered, too, that the wage of the British worker is favorably affected by social insurance and social services.

FORTY-EIGHT-HOUR WEEK

A working week of forty-eight hours is the standard generally written into trade agreements. Thus Great Britain has participated in the general movement toward reduced hours of labor. This advance has not, however, been obtained by legislation. The Factory and Workshop act, 1901, limits the permissible weekly hours of work for women and young persons to 55 and 55½ in textile factories and to 60 in all others. Hours of adult workingmen are not regulated except in the case of coal miners and retail-shop clerks. The Coal Mines Regulation Act (1908) limited the daily working hours

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of miners to eight hours from bank to bank. The Coal Mines Act of 1919 reduced these hours to seven per day from bank to bank. After the seven months' stoppage in 1926 the eight-hour maximum was reenacted. Thus it may be said that the law on working time actually has been retrograde. The British government, moreover, has not yet, in spite of the strenuous criticism of labor, ratified the eight-hour convention of the International Labor Office.

Thus not the law but the agreements negotiated by trade unions and employers are responsible for the marked reduction in the hours of labor during the last decade. In 1919 and 1920, two boom years, the working week for about 7,000,000 workers was reduced by six hours. In almost all cases reductions did not entail decreases in wages. Either weekly time wages were maintained or hourly rates were increased in proportion to the reduced working time. Only slight increases in hours in a few industries have been made during the depression.¹⁰

Practically all agreements regulate overtime. Some permit it only within specified limits. Thus in the electrical contracting industry overtime is restricted to thirty hours in any four

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weeks, except in cases of breakdown and essential repairs. Most agreements, however, contain no such limitation. Both employer and employes generally recognize the desirability of confining overtime within as narrow limits as possible. Penalty rates are usual. The most common rule is to pay for the first two hours of overtime in any day at the rate of "time and a quarter," and for all further overtime at usually "time and a half." Sunday work is generally paid for at double rates.

The custom of granting workers an annual vacation with pay is gaining ground. Usually a week's vacation is allowed those workers who have been with the company a minimum time, a year in most instances, and who have been punctual in reporting to their jobs.

PROVISIONS FOR ADJUSTING DISPUTES

The procedures established by trade agreements for the amicable settlement of disputes are built essentially around the same framework, though each industry has its distinct experiments and peculiarities. That framework provides generally for a hierarchy of joint courts to which all disputes must be brought. Adjust-

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ment is sought progressively first in the works concerned in a conference between the management and the employe affected or his union spokesman, then in a local city or district conference between subordinate union officials and employers' representatives, and finally in national conferences between the chief executives of the union and the employers' association. Some agreements provide for arbitration by a tribunal consisting of one or more persons entirely outside of the industry or of both outsiders and representatives of the employers and trade unions.

Special devices for conciliation and arbitration developed in some industries are suggestive. In the iron and steel trades, when management and men in the works immediately concerned have failed to make an adjustment, the dispute is referred to a "neutral committee," if no question of general principle is involved. This committee is composed of an equal number of representatives of both sides, appointed by the employers' association and the workmen concerned from members of affiliated works not involved in the given dispute. It may request assistance from permanent officials of the union and employers' association. If it fails to agree

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upon a settlement, the case is either referred to a joint conference of the organizations themselves or submitted to arbitration.¹¹

In the metal trades a Central Conference, consisting of an equal number of representatives of the unions and the employers' organizations, constitutes the last court of appeal. It meets regularly at York on the second Friday of each month, when it considers all questions referred to it at any time preceding the fortnight before it assembles.¹²

The machinery for governing industrial relations on the railroads is laid down in the Railways Act of 1921. National negotiations are carried on between the managements of the four railway systems into which the country is divided, acting through a Railways Staff Conference, and three railway unions to which the overwhelming number of workers belong. (Issues affecting one company only are negotiated between that company and the unions concerned.) When they fail to agree, the dispute is referred to a Central Wages Board. This body consists of sixteen members, divided equally between the two sides. Each of the four companies appoints two; the National Union of Railwaymen appoints four, and the other two

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unions, the Associated Society of Locomotive Engineers and Firemen, and the Railway Clerks' Association, appoint two each.

The final court of appeal is the National Wages Board. Here for the first time the public is represented. But in recognition of the fact that the public consists largely of other workmen and employers, half of its representatives are appointed by employers' associations and the other half by labor organizations. Altogether the board has sixteen members and a chairman. A majority of twelve is chosen equally from railway companies and unions. The public has four representatives, nominated respectively by the General Council of the Trades Union Congress, the Cooperative Union, the Federation of British Industries, and the Association of British Chambers of Commerce. The chairman of the Board, nominated as he is by the Minister of Labor, may be looked upon as another representative of the public.

For the application of the general agreement to each system a series of joint councils has been established on the model of the Whitley or joint industrial councils, which are described in the following chapter. The functions of these railway councils extend beyond the usual scope

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of collective bargaining. In addition to considering the local application of national standards they also discuss improvements in methods of organizing work, the introduction of labor-saving devices, and the elimination of waste.¹⁹

GOVERNMENT INTERVENTION ON VOLUNTARY BASIS

Breakdowns, of course, occur in the joint machinery, and much thought has been given in Britain as to just how the state can most effectively intervene to avert the consequence of industrial deadlock, to offer alternatives for "fighting it out." Committees have considered the problem, and investigations have been made into the experience of other countries. Their conclusions are embodied in two laws: (1) the Conciliation Act of 1896, recommended by the Royal Commission of 1891; and (2) the Industrial Courts Act of 1919, recommended by the Whitley Committee. Both make intervention by the government dependent upon consent from the parties concerned.

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INDUSTRIAL COURTS ACT, 1919

It is the Industrial Courts Act, 1919, which formulates the machinery of government intervention operating in Britain today. For while the Conciliation Act of 1896 still remains on the books, it has been more or less superseded by the Act of 1919, which enables the state to bring practically every known form of government intervention to bear upon an industrial dispute—conciliation, investigation, arbitration.¹⁴

Attempts at conciliation may be made under the discretionary powers granted the Minister of Labor by Part I of the Act. It provides that any dispute may be reported to him and that he may take such measures for its settlement as appear to him most expedient. For purposes of arbitration, the Act offers a choice of a permanent court called the Industrial Court, or specially appointed arbitrators, or specially appointed boards of arbitration. The Industrial Court consists of representatives of the community, employers and employes, appointed by the Minister of Labor from panels established for the purpose. The general practice is for the court to sit as a panel of three—a chairman,

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an employers' representative, and an employes' representative. Women members are called when cases affecting women are under consideration. From the outset the Industrial Court has sought consistently to render its procedure as informal as possible.

Investigations may be conducted under Part II of the Act, which empowers the Minister of Labor to inquire into the causes and factors involved in any stoppage, either threatened or already declared. He may appoint a court of inquiry for the purpose without obtaining the consent of the parties concerned, as he must in the case of conciliation and arbitration. A court of inquiry is empowered to compel the attendance of witnesses and the production of evidence; and, although no penalties attach to refusal, no witness has as yet refused to appear before a court. Such a court investigates the facts and makes recommendations for settlement, which the parties may take or leave.

In addition, large numbers of adjustments have been facilitated by the special conciliation officers of the Ministry of Labor. We were continuously impressed by the degree to which these men held the confidence and good will of both sides.

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TRADE BOARDS

There is, however, one place in British industrial relations where compulsion is applied. The institution of the trade boards and their *rôle* in British industry have been widely discussed. Established in 1909 after a long agitation against sweating, they fix minimum rates enforceable at law, for industries where wages are low and organization weak. The original Act set up four boards functioning in chain-making, lace-making, tailoring, and paper-box manufacture. By the outbreak of the war thirteen boards covered 500,000 workers in eight industries. Today forty-four boards are established in thirty-nine trades employing about 1,500,000 workers.¹⁸

Trade boards are made up of representatives of the workers, employers, and the public in equal numbers. While the system has received both praise and criticism, it is generally accepted as an established feature of present-day industrial relations. The composition of the boards illustrates the emphasis placed upon "self-government" in industry. For trade boards are established only in industries where organization of employers and employes is weak. It is

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hoped that the representation of both sides upon them and the habits of consultation and conference fostered thereby will stimulate organization and collective dealing.

RECORD OF STRIKES AND LOCKOUTS

How has the adjustment machinery, both governmental and private, worked in practice? From the point of view of the general community the ultimate test to which all methods of industrial relations must submit is their success in avoiding interruptions to work. At first glance the figures for strikes and lockouts appear to indicate formidable breakdowns. Well over 16,000 industrial disputes occurred during the period from 1898 to 1926, entailing a loss of almost 500,000,000 working days. Each year, moreover, registered a steady increase in the loss of working time. From 1921 to 1926 alone, no less than 49,200,000 working weeks in round figures were lost by those directly involved in trade disputes. Twenty-seven million weeks of this total were lost in 1926, the year of the general strike and the coal stoppage, and 14.3 millions in 1921, at the beginning of the depression.¹⁰ Some of these disputes involved symp-

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omatic upheavals in basic industries—in 1922, a three months' lockout in the metal trades and shipbuilding; in 1924 a docks, a shipbuilding, and a railway dispute; in 1925 a lockout in wool and, in mining, the prelude to the crisis of 1926. Even the home industries, as, for instance, building, trolleys, buses, shared the influence of the strains and stresses of the period through strikes and lockouts.

Such facts seem a grave indictment indeed. But to accept them at their face value is to miss the real truth. Consistently the time losses from industrial disputes have been less serious than those due to sickness and to unemployment.³⁷ Consistently, too, as already pointed out, the major losses from strikes and lockouts have originated in mining. No less than 62 per cent of all time losses through industrial disputes since the war, and 56 per cent before the war, occurred in mining. In the rest of British industry, joint dealings between employers and employed have progressed with remarkable smoothness, and indeed there are important industries, as already mentioned, in which major stoppages have been unknown for years.

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GENERAL STRIKE OF 1926

No discussion of industrial disputes in Britain can pass over the general strike of 1926. For in one sense it represents a thoroughgoing breakdown of collective machinery. Yet such a view is a misleading simplification of a complex situation. No generalization fits this puzzling, costly episode. Essentially it constitutes a freak. Unfolding events, too, revealed it a vindication as well as a failure of the collective machinery. For not only did the machinery sustain the drastic shock, but the remarkable peaceableness with which the strike was conducted was in itself tribute to the spirit engendered by years of joint negotiation.

Fundamentally the general strike originated in a coal dispute. Since 1919 coal had been almost continuously threatened by stoppages; in 1925 the government warded off a strike by guaranteeing wages and profits for eight months through a special subsidy, while a royal commission undertook a survey of the industry. The commission's report pleased few people. The operators were disgruntled because it pronounced against lengthened hours and district settlements, and urged some reorganization of

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the industry and wage decreases for higher-paid men only. Those who thought that nothing but thoroughgoing reorganization would cure the sickness of coal felt that the report was too timid. But the miners' union rejected the report entirely on the ground that they could not discuss wage reductions at all in view of the economic plight of their members. Lockout notices were posted for May 1st. The General Council of the Trades Union Congress entered into negotiations with the government to find an acceptable formula for settlement; eventually they received a mandate from the labor movement to back the miners to the full if necessary. As negotiations were progressing, printers on the *Daily Mail* walked out in protest against setting up an anti-labor article. Premier Baldwin thereupon broke off negotiations abruptly on the ground that this constituted an overt act—and the strike was on. From May 3rd to May 12th some 2,000,000 workers were called out in sectors on a great sympathetic strike. The emergency organization perfected by the government since 1925 was soon functioning, and supplies of food and essentials were assured. In spite of the warlike tone of official utterances the strike was a remarkable drama of good-humor

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and peace. Policemen played football with strikers. No disorder or bloodshed occurred.

Obviously such a social cataclysm must have had many and complex causes. Without question, there was a profound and widespread sympathy among the workers for the miners. Again, the general economic situation entailing years of unemployment and suffering for so many, had led to profound unrest and a widespread fear that wages would be generally reduced if the miners were beaten. The union movement, too, disillusioned with political action after the Labor government of 1924 and the Conservative landslide following it, was in one of its periodic oscillations toward economic action. Since 1918, moreover, agitation for sympathetic action, working-class solidarity, and a "show of power" had stirred the movement. On the government side, the "die-hards" in the cabinet apparently wanted a "show-down" and the unauthorized walk-out of the printers on the *Daily Mail* offered a pretext for breaking off negotiations.

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TRADE DISPUTES AND TRADE UNIONS ACT, 1927

One of the aftermaths of the general strike which for a while threatened to embitter relations in British industry was the Trade Disputes and Trade Unions Act passed into law in 1927.

The legal status accorded trade unions and employers' associations constitutes an important factor in determining the course of industrial relations. We in the United States are familiar with the confusion raised in the camps of both employers and trade unions by the provisions of the Sherman Anti-trust Act. Fear lest they be found guilty of illegal interference with interstate commerce has inhibited employers from entering upon combinations oftentimes essential not only to the success of their business but to laying a sound foundation for dealing with labor. Trade unions, on the other hand, have for years attempted to free themselves from the charge of restraint of trade which has from time to time been leveled against their activities. The issue of injunctions in labor disputes, the introduction of so-called "yellow dog" contracts, and the uncertainties of civil and criminal law with regard to strikes and lockouts, boycotts

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and picketing, present some of the most confusing problems in the structure of industrial relations in America.

In Britain, associations, whether of workers or of employers, were not until recently hampered by such restrictions. Indeed, until the passage of the Trade Disputes and Trade Unions Act of 1927, trade unions and employers' associations in Britain enjoyed a freedom superior to that in probably any other industrial country. This status had been won piece by piece after a struggle extending over more than a century—first for the right of trade combination established through the acts of 1824-1825; next for freedom from the original law of criminal conspiracy won through the acts of 1871-1876; then for exemption from civil suits for losses consequent upon trade union action secured through the Act of 1906; and finally for the right to expend union funds for political purposes granted through the Act of 1913.

Little wonder that, after securing such freedom of action, the Trade Disputes and Trade Unions Act of 1927 appeared to trade unions like a bolt from the blue. For it unquestionably restricts important privileges hitherto enjoyed

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by them. Sponsored by the Conservative government to prevent the repetition of a general strike, it goes much further. It apparently makes illegal sympathetic strikes or lockouts which "inflict hardship on the community or coerce the government." Picketing and membership recruiting are considerably circumscribed. The right of unions to devote part of their funds to political purposes is radically modified. For unions must now obtain express authorization from each of their members for the allocation of any of his dues to a political fund—a complete reversal of the former practice of using his dues unless specifically forbidden. Civil servants, such as letter-carriers and postal clerks, are forbidden to affiliate with any trade union federation such as the Trades Union Congress, as well as with any political party.¹⁸

It is not surprising that labor leaders raised a storm of protest against this law. Employers, too, especially those responsible for managerial and labor policies, deplored the Act. This, for one thing, made labor leaders feel that although they would not wish to cooperate with the government in the political arena, they could join with the employers in an effort to expand the

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joint machinery of collective bargaining. It is probably one factor that made possible the conferences now under way in Britain on how to improve British industry and the workers' conditions.

The Act, however, is on the statute books, and many of its provisions have already been invoked at one time or another. It seems certain that labor will seek to remove it as soon as it wins political power.

FACTORS UNDERLYING SUCCESS AND FAILURE IN OPERATION OF JOINT MACHINERY

The varying records of success and failure achieved by basically similar machinery in British industries suggest a significant question: What factors explain the predominant turbulence in coal, the more than thirty years of freedom from strikes and lockouts in iron and steel, and all the gradations between turbulence and harmonious relationships shown by other industries? The answer lies in a combination of factors—special devices for limiting the zone of friction, economic influences, the efficiency with which both unions and industry are administered, and that intangible quality, leadership.

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So significant are such factors to industrial relations everywhere that it is well worth while to examine, however briefly, their operation in Britain.

Two factors have contributed to harmonious relations in iron and steel. First, wages have been adjusted for more than half a century by one definite principle—variation in accordance with selling price. Second, organization and leadership have been efficient and forward-looking. The fact that for years wage changes have automatically followed changes in selling price has obviously excluded from negotiation many of the contentious issues of wage determination. The sliding scale in reality constitutes a permanent wage agreement, the interpretation of which is based on the facts of existing wages and prices as certified by joint accountants. In broad outline, the wage is made to consist of two parts: basic or standard rate and a supplement determined by the selling price of pig iron, or, as in South Wales, of steel rails and tin bars. Selling price is established periodically by accountants retained by both sides and pledged to secrecy on their examination of company books. Wages move up or down in stated proportions to given movements in selling price.

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That the sliding scale has proved generally advantageous to the employers is readily evident. It creates an automatic method for decreasing the wage bill when the market is falling. From the viewpoint of the workers the situation is less clear-cut. Improvements in technology may lower prices without decreasing profits. In other words, prices are not always an index of an industry's ability to pay given levels of wages. The United States has witnessed in recent years a striking example of a simultaneous rise in wages and fall in prices. Again, as the steel-workers have found, price movements are not synchronous. Thus while the price of the product controlling wages in any sliding scale may be falling, prices of articles entering into the workers' cost of living may be increasing. In practice, however, the steel-workers' union appears satisfied with the general principles of the sliding scale, and apparently intends to continue it in operation, even though it may press for revisions of detail.

Improvements in administration have grown out of a process of amalgamation which has within recent years concentrated and unified organization on both sides. Two associations—the National Federation of Iron and Steel

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Manufacturers and the Iron and Steel Trades Employers' Association—represent the chief spokesmen for the employers. The latter was formed in 1922 by bringing together a number of individual employers' organizations. The principal representative of the workers is the Iron and Steel Trades Confederation. It was formed in 1917 as the result of an amalgamation of three of the six unions in the industry; the other organizations are expected to join in the course of time. One of the results has been a more effective use of the unions' available facilities and a greater unity of policy.¹⁹

But beyond this, administration and policy-making are sharply separated by the constitution. Central administrators, as well as local officials (*e.g.*, divisional officers and organizers) are not elected by the mass membership, but are appointed by the executive council, to whom they are directly responsible. The executive council itself, however, as formulator of policy, is elected by the membership; but even in elections an attempt is made to nominate men not for their political sagacity, but for their established skill as negotiators, administrators, and leaders. Finally, a research department has been estab-

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lished which keeps the leaders continuously informed about the conditions of the industry.²⁰

In formulating policy for their industry, these leaders have never lost sight of its underlying economic facts. Thus in an interview with us a high official of the union put his conception of future wage policy in the following words:

"The union, of course, will want to ask a revision of the sliding-scale practice. But it is no use asking it when the industry is in its present depressed state. There have been now six years of steady depression. The radicals talk of war profits. But we know that these were swallowed up in two years. Today firms are mortgaged to the hilt and many are closed up. A total reorganization is necessary. . . . Union policy in the iron and steel trades has thus had to be conditioned recently by the profound depression."

The miners' union, on the other hand, presents a contrast to the steel workers' organization. In spite of its numerical strength the Miners' Federation of Great Britain is comparatively weak, a factor which no doubt has played an important part in recent mining history. The paradox is explained by the nature of its constitution. For the Federation, formed

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in 1888, is a highly decentralized body. Each of the twenty district organizations affiliated with it retains complete local autonomy in administrative and financial matters, and freedom to act independently with regard to local strikes and making representations to the government. Inadequately staffed, officered and equipped, the Federation must seek democratic sanction from the districts for every major executive act.²¹

Whatever *rôle* the type of union organization may have in industrial relations, there can be little question of the important part played by management. In a final sense, employers set the key in which the play of human relations is carried on in their factories. They have virtually exclusive decision in matters of business policy, and thus over industrial efficiency. The American observer is almost immediately struck by the lack of a professional management group in Great Britain. Signs of its development are slowly appearing; but management is still generally regarded as an attribute of the owner or employer rather than as a separate function. Consequently, British industry has not had the benefits of the thought and practice of management engineers, such as has helped guide Amer-

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ican labor policy into new paths within recent years.

It was interesting to observe how differences in the quality of management produced marked differences in the complexion of joint relations. Striking variations of this sort exist, for instance, in the metal trades. Side by side with such excellently conducted plants as Hans Renold, Ltd., Mather & Platt, Metropolitan Vickers, and the repair shops of the London General Omnibus Company, where scientific management in its modern, humane sense is given full scope, are found other plants hampered by long nepotism, antiquated equipment, backward organization. Almost invariably the investigator observes in the same industry progressive, cooperative relations in well-managed plants, while friction and unrest prevail in others.

A major factor making for instability in British coal has been a gradually diminishing world market and increasing competition from continental operators. But both the Sankey and Samuel Commissions have within recent years drawn attention to the inefficient management which has sharpened instability and unrest. Although numerous well-managed mines exist,

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especially in the newer, thick-seam fields of Yorkshire, where large units utilize modern methods, the industry as a whole suffers from serious managerial ills. Their pervasiveness may be indicated by the merest summary: too many small mines, resulting in competition among some 1,400 companies owning about 2,500 collieries; unusually small cars both in the mines and on the railways; only a comparatively slight development of by-product utilization; excess duplication in retail distribution; lack of research in the important fields of utilization, extraction, and distribution. Such conditions must create heavy losses and aggravate the effects of the export depression."

Leadership, of course, represents at all times a primary factor in industrial relations. Identical machinery may become an active success in the hands of one group and a failure in the hands of another. Experienced administrators tell you repeatedly, "Machinery is not important; the men working it are primary." In its final analysis, the quality of both management and trade union administration hinges upon the quality of the men involved. In the same way workshop machinery succeeds or fails as the men who work it make it "go" or not. We were

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told again and again how one shop council worked extremely well because able representatives on both sides made it go, while another accomplished nothing or worked actual harm, because either the employers were uninterested or resentful, or the workers had inept representatives. Finally and naturally, the influence of the leaders of employers' associations and trade unions who meet about the conference tables of industry is all-important.

Thus union officials, workers, and even employers agreed in ascribing some responsibility for the lack of a progressive spirit in the metal trades to the fact that the leaders of the craftsmen were unable to carry their membership with them on essential policies, while those of the employers were "hard-boiled"—too apt to make easy recourse to wage reductions and threats of lockouts when holding the balance of power. In the same way leaders in the cotton trades were criticized for their conservatism and intense individualism. In transport and in iron and steel, on the other hand, one receives frequent evidence of innovations sponsored by constructive leadership.

But it is in coal mining, perhaps, that one finds the most striking example of the influence

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of leadership. Since 1921 responsible spokesmen of operators and miners have adhered to old and belligerent policies, the full bankruptcy of which the course of events has revealed. As remedy for the present problems of coal, the employers have consistently urged free competition, decreased wages, lengthened hours, and no interference or advice from outsiders. "There is nothing wrong with the coal industry," says an ex-president of the operators' association, "that cannot and will not be put right. It is being mourned over by its expectant beneficiaries as if the decease were at hand, but it has much more vitality left than is supposed and its recovery is already assured. The fact is that the industry has had too many physicians, each prescribing some nostrum of his own, and among the lot the patient has been hard put to it. He is only recovering now because he has fallen back on the simple remedies of nature and experience. . . ." ²⁸

The leaders of the men have certainly not utilized their opportunities wisely. They have not known how to turn to practical uses the large measure of public sympathy which the miners have enjoyed since the war. They have, unfortunately, supported the program of "national-

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ization" with an "all or nothing" attitude that has made them miss repeated chances for considerable, "step-by-step" advance.* In 1920, for instance, the government passed the Mining Industry Act in accordance with certain recommendations of the Sankey Commission. Part II of the Act provided for the creation of joint committees in all mines, a joint committee in each district, and a joint national board at the top. At the time the owners were prepared to participate in such a scheme. But the miners, insisting on nationalization, refused it as a half-measure. The Act provided that if the parties did not put the scheme into operation within a year it would lapse. A few days before the term expired the miners announced they had changed their view and would accept the proposal. But by this time the owners refused to participate. Thus the miners had missed their chance for establishing a definite statutory system for joint control over conditions of employment.

In the same way six years later they lost their opportunity to win the reforms recommended

* It is interesting to note that Mr. Herbert Smith, president of the Miners' Federation, has publicly admitted such losses before the 1928 convention of the Trades Union Congress. It may be that the miners are on the brink of changing policies.

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by the Samuel Commission. For here they were offered a continuance of national agreements, no increases in the hours of work, a promise to push the economic reorganization of the industry. In turn they were asked to accept in the interim decreases in wages for all but the lowest paid men.²⁶ In spite of the advice of other sections of the labor movement, who pointed out that if the miners fought they might lose everything and gain nothing, in spite of the chance to make a gesture of sacrifice for the national good and to put any onus for refusing reorganization upon the owners, the miners insisted then and even later, "not a penny off the pay, not a minute on the day." They fought, embroiled the whole labor movement in the general strike, and after seven months emerged with district agreements, decreased wages, lengthened hours, and a weakened union.

NECESSITY FOR BROADENING SCOPE OF JOINT MACHINERY

An historic view of the development of joint machinery in Britain must accord it the tribute of significant achievement. It furnished a *modus vivendi* for over a quarter of a century

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and injected social and humane considerations into the prosperous era before the war; it assured success to the tasks of high-speed production so essential during the war, and reduced the possibilities of upheaval during the trying years of post-war depression.

But now a fundamental query confronts both parties: Can they extend the scope of existing machinery beyond wages, hours, conditions, and similar issues which focus relationships primarily upon distributing the proceeds of industry, to include the problem of reorganizing industry to make it more efficient? The quest involves drastic changes in old habits and attitudes. It was but natural that emphasis in the past should have been placed upon the tasks of division. Britain was a powerful, immensely wealthy country in a period of economic expansion. Her employers sought freedom to amass the outpouring harvests, to obtain to the full the "rewards of enterprise and risk." The trade unions were concerned with gleaning for the workers constant improvements in the standard of life, which economic trends seemed fully to warrant. Indeed, this must ever remain a first purpose of the unions. But it must be related to the realities of the economic life of the

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nation. The depression of post-war Britain issues a sharp new challenge. How can employers and employes extend the collective machinery to embrace cooperative methods for reorganizing British industry for production in a new economic world?

Fortunately for Britain, a group of leaders on both sides has realized the urgency of this inevitable next step. For some time attempts have been made to widen the scope of joint relations through Whitley councils and through shop committees. And as we write, representatives of employers and employes are meeting in London in the Mond-Turner Conference to examine the foundations of Britain's post-war economic structure, attempt a diagnosis of its ills, and devise measures for meeting them.

CHAPTER IV

Whitley Councils: Disappointment and Hope

ONE of the most ambitious experiments in extending the scope of the joint machinery developed by employers and trade unions in Britain is represented by the joint industrial councils, better known in this country as "Whitley" councils after the name of the chairman of the committee which recommended their introduction into industry. Students of labor relations will readily recall the stir made by the reports of the Whitley committee during and shortly after the war. Joint industrial councils were looked upon as the harbinger of a new era of industrial democracy. They were to be the means of giving workers an effective voice in industry, and at the same time of laying a basis for better understanding and cooperation between management and men.

FORTY-SEVEN COUNCILS AT PRESENT

In recent years little has been heard in the United States about this movement. It has

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passed out of the "news." But, though much sobered by the experience of the decade since it was first launched, it is by no means dead. Indeed, there are in existence today forty-seven joint industrial councils and six interim reconstruction committees,* covering industries employing in the neighborhood of 3,000,000 persons.¹ They are found in such important trades as wool, pottery, Welsh plate and sheet, hosiery, printing, heavy chemicals, flour-milling, the docks, government employment, and various public-utility services (gas, electricity, street cars). On the railways, as pointed out previously, similar bodies have been established under the Act of 1921.

BASIS OF ORGANIZATION

The framework of the councils will be readily recalled. They are tripartite in form—that is, for each industry the scheme projects a national joint industrial council, a district joint industrial council, and, finally, a works council in

* Interim industrial reconstruction committees composed of equal numbers of employers' and workers' representatives exist in industries where organization of both sides is as yet backward. They are expected with better organization to transform themselves into full joint industrial councils.

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each plant. Presupposing effective organization on both sides, these councils consist of an equal number of representatives from employers' associations and trade unions. Usually they serve as the negotiating bodies for their industries, draft national agreements, and determine local differentials. They are also courts for the settlement of grievances. But beyond these duties, they are charged with the responsibility of co-operating to promote the welfare of the industry as a whole.

OBJECTIVES OF COUNCILS

The extent to which it was sought to broaden the scope of the usual type of joint machinery may be seen in the subjects suggested for the consideration of joint industrial councils by the Sub-Committee on Reconstruction:

- (1) The better utilization of the practical knowledge and experience of the workpeople.
- (2) 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.

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- (3) The settlement of the general principles governing the conditions of employment, including the methods of fixing, paying and readjusting wages, having regard to the need for securing to the workpeople a share in the increased prosperity of the industry.
- (4) 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.
- (5) Means of ensuring to the workpeople the greatest possible security of earnings and employment, without undue restriction upon change of occupation or employer.
- (6) 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 (3).
- (7) Technical education and training.

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- (8) Industrial research and the full utilization of its results.
- (9) 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.
- (10) Improvements of processes, machinery and organization and appropriate questions relating to management and the examination of industrial experiments, with special reference to cooperation in carrying new ideas into effect and full consideration of the workpeople's point of view in relation to them.
- (11) Proposed legislation affecting the industry.²

The high-water mark of the movement was reached in 1921. Industrial depression and factors to be discussed presently have since then produced a decline. Although estimates appear to vary, at least twenty-six joint industrial councils have been disbanded, while some twenty-seven interim reconstruction committees have been disbanded or transformed into joint

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industrial councils or trade boards.⁸ The forty-seven councils now in existence probably represent a permanent precipitate. They have weathered not only the long depression, but also the sharp shock of the general strike of 1926.

PROCEDURE AND SCOPE OF ACTIVITIES

What have been their chief activities, and how have accomplishments measured up against objectives? One finds Englishmen who declare immediately that the councils have been a failure. The councils, they say, have been little more than negotiating bodies for the settlement of wages, hours, and working conditions; few, if any, have pursued their broader objectives—the progress and wellbeing of the trade as a whole.

Opinions of this type undoubtedly arise from memories of the high idealism with which the councils were launched. Formulated in the midst of the war period, they were hailed as one of the instruments for that new world which men everywhere were seeking. But almost from the beginning grave problems of demobilization and transition to peace-time industry confronted them; the depression and disillusion

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of the post-war years followed soon after. It cannot be entirely surprising that the reality of the councils has thus far proved quite different from the eager hopes with which they were launched.

We, as American observers, however, viewed the councils primarily not from the standpoint of original ideals, but from the perspective of comparative practice in industries governed by other forms of collective machinery. They appeared a progressive and significant experiment.

The accomplishments of the councils can perhaps be best understood from a description of their procedure and activities. In most cases the national council is the dominant unit; in many it is the only one. District and works councils have been developed only to a small extent. The size of the councils varies in accordance with the scope of the industry covered and the number of organizations represented on either side. They run in actual numbers from seventy-two members in printing to fourteen in cement. In most councils each side retains a secretary; in two—flour-milling and pottery—there is a joint secretary. In all but the pottery council the secretaries devote part time only to their duties. Most councils, and especially the

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larger ones, delegate their work to various committees, of which the chief is usually the executive or general purposes committee. In addition, such other committees are appointed as the council deems necessary to the accomplishment of its various activities.

Meetings are usually held at least once a quarter. They are presided over by a chairman, whose office rotates from year to year between the principal officer on the employers' side and the leader of the unions.

Several councils (building, boot and shoe, metallic bedsteads,* printing and paper-making) actually excluded the consideration of wages, hours, and working conditions from their purview. Machinery in existence prior to the formation of the councils was continued to handle these matters. But the last three could receive them for consideration when agreement could not be reached. Other councils, such as the pottery and heating and domestic engineering, though empowered to deal with wages, have in practice excluded them. In these cases it was generally felt that the elimination of such a controversial issue as wages would help to

* Now out of existence.

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further cooperative activities initiated by the councils.

ADVANTAGES OF COUNCILS AS NEGOTIATING MACHINERY

The vast majority of councils have, however, made the regular consideration of wages, hours, and working conditions their most important activity. They are, then, negotiating machinery; but, in comparison with older methods of collective bargaining, they present distinct improvement. For they are not convened only when difficulties have already arisen or a new agreement must be negotiated, as is the usual custom in collective bargaining. Joint industrial councils meet regularly, whether it be monthly, quarterly, or within some other period. They are, in a word, not merely *ad hoc* bodies, but parliaments for their industries. Frequent and regular meetings result in better acquaintance among representatives of both sides. Out of this grows mutual respect. Before a council has operated long, discussion usually assumes a calmer tone. Council members generally agree that they have been able to import into their negotiations a new basis of fact which has

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substituted consideration of evidence for old methods of bluffing and trading. Regular meetings also make possible the handling of difficulties in their early stage. Thus councils have frequently prevented the crystallization of grievances which otherwise might have assumed formidable and dangerous proportions. Indeed, continuous contact helps eliminate many of the delays that often vex industrial negotiations.

The operation of councils has resulted further in unifying both trade unions and employers' associations. Where formerly several competing unions might have carried on a number of separate negotiations with the employers, a joint industrial council negotiates as far as possible for practically all concerned in the industry it covers. Its seats are usually apportioned among all the various organizations representing workers and employers in the trade. Before appearing at a council meeting, these unions and employers' associations convene in respective caucus to determine the line of action they will pursue. The whole group of workers' representatives, for instance, as one trade union leader described it to us, "discusses and examines the claims of each union. We try to make sure that every case which we are asked to sup-

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port before the council is well founded. We marshal our arguments and determine the details of the course we shall take. Then when we meet with the other side, our eleven organizations speak pretty much with one voice." This testing of each case by the group from which it arises, before presentation for joint consideration, often rules out as unsubstantiated complaints that otherwise would vex the conference tables.

Where competition between unions is strong, joint industrial councils have served as courts for the resolution of demarcation disputes. The council in heating and domestic engineering, for instance, has made the consideration of conflicts over the division of work between plumbers and engineers one of its principal activities.

Finally, councils must be credited with widening the scope of collective machinery to an appreciable extent. They have brought within the compass of joint dealing many matters that were hitherto excluded. Thus councils now concern themselves with fact-finding, welfare, and legislation. Certainly much remains still to be done toward the full realization of larger objectives; but that at least beginnings have been made can hardly be doubted.

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STANDARDIZATION OF WAGES

So much for improvements in methods over old types of joint machinery. The accomplishments of the councils in improving conditions have also been significant. No less than twenty-eight joint councils and interim reconstruction committees have, for instance, undertaken and completed the standardization of wage rates in their industries.* An exceedingly complicated wage structure made this task especially urgent. Because of great decentralization in industrial practice, haphazard variation in wage rates within the same industry became widespread. Already complicated rates grew all the more confusing during and immediately after the war when a series of differentials and bonuses was incorporated into them.

Three main principles of classification have been followed in the process of standardization: classification (1) by area or locality, (2) by establishment, and (3) by grade of labor. Thus the council for flour-milling has grouped mills into five classes according to locality, ranging from those in large towns and principal ports to those in rural areas. Within these areas three grades of establishments are designated accord-

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ing to roller capacity. Finally, standard rates of wages are prescribed for various grades of labor within these classes.⁵ In public utilities, a marked difficulty presented by the mixture of public and private management was met generally by zoning and grading schemes. Areas are now classified according to population, and wage rates are prescribed for various grades of labor within each area. The cost of living sliding scale, already described, has been adopted at one time or another as a method of standardization by twenty-one councils.

To the credit of the councils must be recorded the fact also that drastic revisions in wages, compelled often by the depression, have in so many cases been negotiated with a minimum of upheaval. A memorandum drawn by the flour-milling employers after the general strike points out, for instance, that wages had been reduced without any serious dispute by almost \$6 (23 shillings) per week per man from the highest point of the war.⁶ One factor that may have helped in furthering such peaceable negotiation was pointed out by the Ministry of Labor: "The period has been one of considerable difficulty in regard to the settlement of wages, and the inclusion in the functions of joint industrial coun-

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cils of such matters as the collection of statistical information relative to the position of the industry has made it possible for action to be taken which, at times, materially assisted each side of a council in appreciating the position of the other side.”⁷

STANDARDIZATION OF HOURS

Councils have played an important part in the introduction of a shorter working week in many trades. During the first years of their existence no less than thirty councils standardized the working week of their employes; in most cases this carried a reduction of the prevailing working time. The hours thus newly established ranged from forty-two to forty-eight.⁸ They have also had to consider at times such related problems as the arrangement of shifts and overtime. In the woolen industry, for instance, permits to work overtime may be granted since 1921 only by a special joint emergency committee appointed by the council.⁹ Various councils have dealt with the question of annual vacations with pay, and twenty have actually adopted vacation schemes. Annual holidays from three to twelve days with pay are usually granted to

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all workers who have completed a minimum of service—generally six to twelve months.

ADJUSTMENT OF DISPUTES

In general, conciliation and arbitration machinery established by joint industrial councils may be classified under two main heads: first (and only in a few cases), that retained from agreements in existence prior to the establishment of councils, with provision for intervention by the councils when settlement is not achieved; second, that specially created. All councils make constitutional provision for the convening of special meetings at short notice in case of dispute. Some provide emergency committees and conciliation and arbitration panels. In the wool council, for example, an emergency committee of nine members from each side hears any dispute which the secretaries of the council have been unable to adjust. Where they fail to reach a settlement an arbitration court, appointed from representative panels established for the purpose, hears and decides the dispute within seven days. It is obligatory upon both sides to honor and experiment with the award for a period of at least forty-two days; within

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this period, fourteen days' notice may be given that it is unsatisfactory and a dispute is imminent. An umpire is then appointed from a panel of four either by agreement or by lot. His decision is final.¹⁰

On the docks local joint committees in every port and a national joint council have been created. A difference arising in any port must be referred to its conciliation committee. Both parties to the dispute appear and give evidence as before a court. Upon the basis of its findings the local committee presents a report to the national council, which thereupon deals with the dispute. The council may, if it deems it desirable, send two persons to the area of the dispute for the purpose of obtaining additional evidence.¹¹

Most councils prohibit any stoppage of work until the matter in dispute has been considered by the conciliation and arbitration committees.

On the whole, the machinery of adjustment thus established by the various councils has worked successfully. The secretary of the employers' association in the wool industry told us, for example, that, altogether, ninety-three disputes had come before the adjustment machinery of the council by August, 1927. Of

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these, no less than seventy-three were settled by conciliation committees. The remaining twenty were submitted to umpires for arbitration; in every instance the resulting award was accepted and worked successfully. Similarly, an employers' representative on the printing joint industrial council pointed out: "It is pleasant to have to state that out of some forty conciliation cases that have come before the [conciliation] committee in the course of nearly eight years, in only two has the finding been disregarded."¹²

EASING THE BURDEN OF UNEMPLOYMENT

It was in allocating to the councils more general issues such as unemployment, welfare, education, joint research, and industrial efficiency that the Whitley Committee staked out new domains for industrial relations. Although impeded by a number of factors, the actual accomplishments of the councils in widening the compass of joint negotiation possess undoubted significance.

Attempts have been made by various councils from time to time to ease the burden of unemployment. Some have sought to distribute available work by requiring all to work short

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time. Others, like the council in electrical cable-making, recommended strict adherence to eight-hour shifts without overtime. Members of the three councils operating in the electrical industry (cable-making, supply, and contracting), together with representatives of the associations of manufacturers, wholesalers, and the British Electrical Development Association, met in joint conference to make inquiries, consider schemes and propose definite measures regarding unemployment to the government. These included suggestions for speeding up the work of the Electricity Commissioners appointed to coordinate electricity supply throughout the country, the expedition of electrification schemes, and the commencement of necessary government electrical work.

The printing council has appointed a special unemployment committee. It endeavors to regulate the supply of labor by transferring men from one town to another.¹⁸ In the match industry, the council has operated since 1921 a plan of supplementary voluntary unemployment benefit. For the purpose a fund is created and kept at roundly \$125,000 (25,000 pounds) by contributions from employers, equivalent to one per cent of their wage bill. To receive benefits

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from it an employe must have been in the service of a given firm for at least six months prior to his "lay-off," must be receiving government unemployment insurance, and must have contributed to his union's unemployment fund at least four cents (twopence) per week for the six prior months. A worker fulfilling these conditions is granted each week the amount necessary to supplement his unemployment benefits from government and union until he receives 50 per cent of his average earnings plus 10 per cent in addition for a dependent wife and 5 per cent for each dependent child.¹⁴ At the request of the unions this same industry, for a period during 1927, worked forty instead of forty-eight hours per week to avoid unemployment.

Perhaps the most ambitious effort to regularize employment has been that undertaken by the council of dock labor. The casual nature of dock work is well known. The demand for workers to load and unload ship cargoes fluctuates violently, determined as it is not only by prosperity and depression and by seasonal variation in such products as fruit, cotton, and timber, but also by uncontrollable daily irregularities in the movement of ships arising

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from uncertainties of time and tide. For years the Transport and General Workers' Union has been pressing for the adoption of methods of decasualization. Noteworthy beginnings have been made through the joint machinery.

The first experiment began at Liverpool in 1912. It provided for the registration of permanent dock laborers, to whom are given tallies controlled by clearing-houses; exclusive employment of registered workers; a system of stands for distribution of labor from docks where men are not needed to others where they might be used; and weekly payment of wages through a central clearing-house. In 1920 the Court of Inquiry presided over by Lord Shaw recognized decasualization as the foremost problem of the industry.¹⁵ As a result of this the joint council and, since 1924, a joint committee of inquiry, known as the Maclean Committee, from the name of its chairman, has given continuous attention to the problem. Deciding that universal registration which would limit dock work to duly registered workers constitutes the first step toward solution, the committee has sponsored the establishment of registration schemes in all ports of the country.

By 1924 registration was practiced in

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eighteen ports; by 1926, in thirty-one ports. In each a special joint committee of employers and union representatives is charged with administering the scheme and handling grievances arising under it. This development represents an interesting attempt to utilize joint investigation and administration on a knotty managerial problem—the handling of labor in a highly casual industry.¹⁸

HEALTH AND SAFETY

From their inception many councils have devoted attention to questions of welfare—health, sanitary conditions, recreation and pensions. In the post-armistice period councils also considered problems of demobilization, broken apprenticeships and the employment of disabled men.

Some councils have cooperated with the government through the Industrial Fatigue Research Board and the Home Office (responsible for factory inspection) in seeking ways and means for reducing accidents and industrial fatigue, and improving sanitation, ventilation, and lighting. Officials of the Home Office have appeared before council meetings to outline the

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manner in which members could assist the department. Valuable suggestions have been elicited.

In addition to cooperation with government agencies, various councils have established regular machinery of their own to give continuous attention to welfare. They have created such bodies as welfare committees, safety-first committees, and health committees; some have relegated the supervision of welfare conditions to the works committees or to the district councils. Joint inquiries have been made into special welfare phases. The pottery council has carried out pieces of joint research into such matters as atmospheric conditions in potters' shops, the efficiency of various types of drying stoves, and provisions and standards of welfare work.¹⁷ Its reports have been widely circulated and discussed; its recommendations have been officially accepted by the Home Office.

Similar inquiries have been launched from time to time in other trades. Thus an investigation by the wool council into the relations between accidents and the lifting of heavy bales resulted in the installation of mechanical devices wherever possible, and, where not possible, the definition of weights to be lifted by various

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grades of workers.¹⁸ Other inquiries undertaken by councils have revealed at times the need of extensive structural alterations in factory buildings. To expedite such changes the pottery council has urged, with the support of other councils, that expenditures on structural alterations made to meet welfare requirements should be tax free.

The councils in pottery and printing have developed a program of health education. The pottery council issues for display in individual works circulars and posters on health and safety, arranges public lectures, and prepares pamphlets for circulation among the workers which give suggestions on such matters as preventive measures, the elimination of injurious dust, and the utilization of welfare provisions. It has also formulated first-aid codes. The printing council has issued a series of health leaflets including such titles as "Healthy Habits," "Lead Poisoning among Printers—How Caused and How Best Prevented," "Bronzing in Letterpress and Lithograph Printing," "Bichromate Poisoning." In lead, pottery, chemicals, and seed-crushing, councils have made provision for the supply of protective clothing to the workers.

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Upon the request of the government some twenty councils formulated recommendations for amending the workmen's compensation law.¹⁹

Numerous councils, of course, assisted in the heavy tasks of absorbing demobilized soldiers, providing employment for disabled men (usually by recruiting a definite per cent of their forces from among the disabled), and making it possible for adult men whose apprenticeships had been broken by the war to complete their training at a living wage.

Although the advance of mechanization in industry has tended to make the *rôle* of the apprentice everywhere less important, councils have given fruitful attention to his problems. Fifteen councils have attempted to offer formal aid of one type or another by instituting training schemes, programs of technical education, continuation classes, lectures, and scholarships. They have tried to help the apprentice master his new craft, understand his industry as a whole, continue his general education, and, if specially able, win opportunity for advancement through training. These schemes have naturally received their widest application in industries where craft skill has not yet given way

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completely before the advancing machine—as, for instance, heating and domestic engineering, printing, potteries, government establishments, electrical contracting, and optical instruments. At the same time the council in such a highly automatic industry as flour-milling has also conducted a program of technical education.

JOINT FACT-FINDING

Only some seven councils have experimented in a measurable degree with fact-finding; but the results achieved indicate promising possibilities. They have handled such broad questions as welfare, education, costing systems, factory design, and safety. They have collected the facts pertinent to the negotiation of new agreements and have investigated the state of the industry.

The first type of inquiry has usually been undertaken in connection with welfare and educational programs. A special committee, known as the Research, Inventions, and Designs Committee, has been appointed by the pottery council to conduct inquiries. It was this committee which carried through the investigations, already described, into atmospheric conditions

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in potters' shops and the efficiency of various types of drying machines. In addition it has completed a noteworthy inquiry into education for workers.²⁰ The wool and printing councils have conducted inquiries as a basis for their program in the prevention of accidents and diseases. When the printing council decided to adopt a standard costing system, it appointed a special joint committee "to study its details and application to all sections of the industry."²¹

The pottery council has created a special statistical and inquiries committee to supervise the collection of full data on wages, prices, profits on turnover, materials, markets, and costs. The committee is also to encourage the study and promotion of scientific costing systems. When necessary all statistics may be verified by a certified public accountant. This committee took a census of operatives in 1922. On the whole, however, it has not been utilized to any considerable extent.²²

Finally, several councils have sought to establish a jointly determined basis of fact for the negotiation of wages and conditions. In the tramway industry, for instance, it has become the custom to appoint a joint committee to in-

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investigate, in connection with negotiations, the cost of living, prevailing earnings, wages in comparable industries, and the general financial condition of the industry. This committee presents its report to the full council, which, then, as one of its leading members put it to us, can "proceed on facts that have been jointly ascertained and checked rather than quarrel over partisan facts." Reports are frequently issued to present the findings; and on occasions, as in 1920 and 1924, when courts of inquiry have been appointed by the government to consider a dispute, the evidence in these reports has been accepted as a reliable basis of fact.²⁹

The wool council provides that upon the introduction of a new machine wage rates must be revised upon the findings of a joint investigation.

PROBLEMS OF PRODUCTION

In pursuit of the objective of increasing production, joint industrial councils have made the merest beginnings. Such cooperative action as has been undertaken has been limited largely to urging upon appropriate government agencies the need for various forms of legislation. Thus numerous councils have appointed joint deputa-

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tions to wait upon the Board of Trade in an effort to secure protective duties for their respective industries under the Safeguarding of Industries Act. The council in the match industry, indeed, makes the collection of statistics upon the importation of foreign matches as well as upon foreign production a standing item of its agenda.

In much the same manner various councils have sought protection under the Merchandise Marks Act under which imported products must bear a stamp showing the country of their origin. Twelve councils furnished evidence to a committee appointed in 1919 to investigate the working of this Act. The pottery council, in the hope of impressing upon the country the menace of foreign competition, arranged a museum to display wares from Japan and other countries sold widely in Britain.

OBSTACLES TO COMPLETE SUCCESS

Such, then, have been the actual accomplishments of the councils: improvements in the process of negotiation, standardization of wages and conditions, promotion of welfare, and the maintenance of good relations in many indus-

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tries. It is not hard to understand, therefore, why in all but two cases both sides decided to go on with their councils after the drastic interruption of the general strike. No doubt, joint industrial councils constitute, in the words of an important government committee, "the most significant new element in the machinery of negotiation added since the war. . . ." ²⁴ But on the other side is a story of often overwhelming difficulties and failure. For it must be remembered that of the 106 joint councils and interim industrial reconstruction committees originally established, almost one-half broke down.

It was, of course, to be expected that the "Whitley" idea would have to be tried and adapted to unfolding industrial realities. In such testing, adherents of any new idea often fall away. But in the case of the councils two factors made the test especially drastic. In the first place, some councils were established in industries where both parties were ill prepared for such an undertaking. The atmosphere of war idealism in which the council idea was born naturally induced a widespread desire to participate in the new experiment. Consequently, many councils were established by organizations which were only newly formed, and thus with-

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out experience in joint dealing; or by organizations which had grown numerically strong by a large influx of war workers, who left industry after the armistice. These groups expected quick results and were unwilling to bide slow progress. In the second place, probation proved especially stern, because it came during a period of great stress and profound economic change—first, the abnormal circumstances of the war and the brief post-war boom, and after 1920, the sudden collapse of trade.

These abnormal conditions inevitably sharpened the wage issue in all negotiations. And it was exactly the continuous controversy over wages which caused the disruption of so many councils. Even many of those which survived this first period regard the question of enforcing wage rates on all employers in industries governed by councils as one of the most important problems still confronting the movement. For an employer who is displeased by a council decision may jeopardize its effectiveness by resigning in order to operate according to his own individual desire as to wages and conditions.

To meet this difficulty it has been proposed that the Ministry of Labor be empowered, upon the application of a council, to make enforceable

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on an entire industry any agreement or part of an agreement. A bill embodying this provision passed its second reading in the House of Commons in May, 1924, by a majority of 220. But the Labor government, then in office, was soon afterward dissolved, and the Conservative government following it was unwilling to present a similar bill.²⁵

Opinion differs as to the value of this proposal. Twenty councils support it. At one time the trade unions were also favorably disposed. In September, 1926, the Trades Union Congress assembled at Scarborough decided to urge the passage of such a law. But when the Trade Disputes and Trade Unions Act was passed in 1927, the unions rescinded their decision as part of their general protest against the latter measure. On the other hand, many oppose statutory powers for the councils chiefly because of the fear that it may represent a transition to compulsory arbitration.

One of the great obstacles to the successful operation of the councils in the broadest sense has no doubt been the attitude of employers. They have been unwilling in many instances to share with their employes a knowledge of the facts of their business—one of the main prin-

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ciples underlying the Whitley idea. In general, employers have failed to create that atmosphere of confidence and mutual trust which would lead the workers to feel that they were really being accorded a vital stake in industry. In extenuation it may be said that many employers have been so harassed by overwhelming economic difficulties during the past few years, by the challenge often of sheer survival, that they have had little energy to give to progressive ventures in labor relations. It is only now, when more traditional remedies have obviously failed, that an increasing number are becoming more willing to see whether cooperation can help break the vise of depression in which industry has been caught.

Where employers have readily discussed all of their difficulties with the trade union representatives on the councils, and where trade union officials have been constructive in their attitude, the results have been notable. Indeed, when asked what made for the success or failure of this or that council, those who had participated in the Whitley movement always told us that leadership here, too, was the primary factor. Thus it was pointed out to us that one council, which has had an exceptional record

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for harmonious and just relationships, has been fortunate in its chairman. He was an employer who could inspire both sides with his sense of fairness and who knew how to keep a discussion from degenerating into passionate argument. Another council was fortunate in having as the chief spokesman of the employes a union official who had a keen understanding of the economics of the industry and who was able to persuade the employers that their men were one with them in wishing to eliminate losses and increase efficiency.

That so many councils have not only survived the terrible strain of the depression but have, in addition, so many significant achievements to their credit is perhaps an indication of the fundamental soundness of the social philosophy which led to their creation. The real test of the joint industrial council movement as a whole may perhaps come only when Britain again enters upon an era of revival and prosperity. But the attention which the Mond-Turner Conference is focusing on the possibilities of joint effort in reconstructing British industry may well discover in the councils another instrument ready to hand for hastening the advent of that very era of prosperity itself.

CHAPTER V

Pioneering with Shop Committees

WIDESPREAD introduction of local machinery within mills, mines, and factories has constituted throughout the industrial world one of the notable developments in labor relations during and since the war. Various called shop committees, employes' representation plans, works councils, or company unions, they form in a real sense a world-wide movement. In the United States the last decade has witnessed a truly amazing growth of what are commonly known as company unions. In Germany, Czecho-Slovakia and Austria, the introduction of works councils has been made mandatory by law. In England the Whitley Committee strongly urged the creation of shop committees throughout industry as an integral part of joint industrial councils.

SHOP COMMITTEES

FACTORS BEHIND RAPID SPREAD OF SHOP COMMITTEES

The general objectives of this movement have been threefold: first, to provide a means of quickly adjusting grievances; second, to give employes a voice in determining the conditions under which they work in the shop; third, and perhaps most important, to provide a basis of cooperation between management and men for the common task of eliminating waste and making production more efficient. Besides these, industry in each country has had its own special motives. In the United States many employers have introduced company unions in the hope that they would prove an effective barrier against trade unions. In Germany and other countries of central Europe, on the other hand, wage-earners used the political power which suddenly came to them after the war to seek in compulsory works councils a means of securing some measure of control over industry.

In England works committees have their roots in still other motives. They have been introduced there, as in the United States, almost entirely on the initiative of employers. But with the exception of a few instances following

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the general strike in 1926 British employers have not sought to avoid dealing with trade unions. They have sought rather to supplement methods for negotiation established jointly with trade unions. For these methods formulate in the main only broad standards of wages, hours, and conditions. Local machinery, it was felt, would facilitate the application of such standards to a particular factory. Moreover there is in every plant a range of problems almost entirely domestic in nature which, employers thought, could best be handled by those working within the plant. Finally, if a better spirit of cooperation were to be developed, it was necessary in their view to create a vehicle through which employes might be informed on the problems confronting management. Through it mistrust and suspicion might be dispelled and the men brought to realize that their welfare and progress were vitally bound up with that of the concern.

LIMITED DEVELOPMENT OF SHOP COMMITTEES IN BRITAIN

Such views, however, represent a distinct minority of employers in British industry. It

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is surprising at first glance to find, despite the prevailing tradition of decentralization and individualism, that the shop committee movement has had a more limited development in Britain than in any other important industrial nation. A closer examination reveals several explanations. Britain is a small country and it is comparatively easy for trade union officials to visit personally within a few hours any center where difficulty has arisen. Again, the fact that British industry hinges so largely on export trade has led employers generally to emphasize national agreements, by means of which they hope to establish within respective industries competitive equality in basic wage rates and hours. The unions, on their side, have of course brought strong pressure to bear for national agreements which help to strengthen a union's hold on its industry, simplify its task of negotiation, and give it an enhanced prestige both with government officials and with employers. Furthermore, both union officials and employers have been forced by abnormal economic conditions to deal primarily with wage adjustment during and since the war. This concentration on wages has diverted attention

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from the problem of improving factory relationships.

LACK OF INTEREST ON THE PART OF EMPLOYERS AND TRADE UNIONS

But perhaps the primary obstacle to the development of shop committees resides in the prevailing attitude of employers and trade union officials. The latter are on the whole distrustful of employers' motives. With the example of American company unionism before their eyes, they suspect in proposals for establishing shop committees possible attempts to impair the strength of trade unions. Even when employers obviously have no such motive union officials often fear that shop committees may ultimately weaken the loyalty of wage-earners to their trade union. They point to the fact, also, that most agreements provide means of handling local grievances. Their experience leads them to believe that union officials, independent as they are of any particular company, can handle grievances much more effectively than shop representatives who depend on the firm for their livelihood.

The attitudes just set forth are recorded

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from our interviews with representative union officials. The British trade union movement has not actively opposed the introduction of shop committees; it has not formulated any official position one way or the other. In fact, wherever employers have desired to develop local committees to supplement existing machinery, trade unions have not only placed no obstacles in the way, but in some instances, as we shall presently see, have actually helped to make them effective instruments of cooperation. Moreover, employers who have given thought to this aspect of employer-employee relations in Britain are unanimous in their opinion that whether or not shop committees are introduced and the manner in which they work depends on the lead given by management.

But British employers on the whole have not seemed disposed so far to experiment with forms of employees' representation. For one thing—a factor frequently alluded to—they have been distracted since the war with the difficulty of carrying on industry under the handicap of a severe depression. For another, the tradition of secrecy is firmly ingrained. The typical British employer has a strong dislike for sharing the facts about his business either with

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his workers or with his fellow employers. They seem to fear, too, that the creation of shop committees may lead to encroachments on what are usually considered managerial functions, a fear aggravated during and immediately after the war by general agitation for what was loosely termed "workers' control."

SHOP STEWARD MOVEMENT—A RESPONSE TO INADEQUACY OF LOCAL MACHINERY

Whatever the reasons may be, the inadequate development of local machinery constitutes one of the outstanding defects in the existing structure of British industrial relations. Its seriousness became amply evident during the war, when the shop steward movement arose suddenly and dramatically to fill a gap which rapid multiplication of grievances in munitions factories made merely more apparent. Swiftly rising living costs, dilution of labor by introducing large numbers of women into the munitions industry, abrogation of trade union customs, restricted freedom of changing jobs, and prohibition of strikes led to seething discontent.

But trade union officials, continually occupied in London by conferences with government

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officials, employers, and various war boards, had little time to give to local difficulties. Anxious to assist in the effective prosecution of the war, they enforced strict discipline and frowned upon any attempted stoppages. Unadjusted grievances within factories piled up. The net result was the sudden transformation of the shop stewards from officials upon whom minor duties were conferred by their unions into the active representatives of the workers. They negotiated wage scales, handled grievances, and even called strikes. Shop stewards from various departments of one company formed central organizations; these in turn combined into organizations for a district as a whole. Thus was finally created what amounted to an unofficial trade union movement acting contrary to the rules of the very unions of which the shop stewards were members. Strikes grew more frequent, and it was not until some of the leaders were deported that the movement lost a degree of its turbulence. After the war it gradually petered out.

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SHOP COMMITTEES NOW PERMISSIVE UNDER AGREEMENT IN METAL TRADES

The lesson did not, however, go unheeded. An agreement negotiated in 1919 between the employers and the trade unions in the metal industry (where the shop steward movement had seen its greatest development) gave the shop stewards definite status and functions as representatives of the men in their dealings with management. Provision was further made for the appointment of a works committee in any establishment where both sides desire one. It was to consist of seven representatives of the management and seven shop stewards elected by the workers.¹ These committees, however, are only permissive and here again the record is negative. With few notable exceptions, employers have not attempted to organize them. Nor have the workers put any pressure upon them to make the agreement effective on this score.

SHOP COMMITTEES UNDER JOINT INDUSTRIAL COUNCILS

The Whitley Committee, as has been pointed out, was also conscious of the problem. It

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recommended the creation of joint committees of management and employes to supplement national joint industrial councils. "It is not enough," ran its report, "to secure cooperation at the center between national organizations; it is equally necessary to enlist the activity and support of employers and employed in the districts and in individual establishments." And again: "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 cooperation in all these workshop matters." ²

Exact figures are not available but it was estimated that by 1922 considerably over 1,000 works committees had been formed under the ægis of joint industrial councils.³ Since then there has been a marked decline, although the Ministry of Labor reports (in 1926) "that a large number have survived the peculiarly difficult conditions of the last five years and that many of these have been successful in fulfilling the objects which the Whitley Committee had in view. . . ." ⁴ Thus once more the depression

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of the past few years seems to have been a heavy obstacle. When workers are confronted with the unpleasant choice of resisting or taking wage reductions, the atmosphere is hardly conducive to cooperation. But here again we were told that a lack of enthusiasm for works committees on the part of both employers and trade union officials constituted a primary handicap.

We found works committees functioning in a number of industries governed by joint industrial councils—as, for instance, match manufacturing, pottery, traction systems, and printing and allied trades. Works committees were also set up in government industrial establishments operating under joint industrial councils. They were usually joint in nature, although not always did the management representatives equal the number of workers' representatives. They had in the main only consultative or advisory power. Final decision and execution remained in the hands of the management.

Questions arising out of the application of rates of pay and other standards laid down in trade agreements to conditions in the individual shops, the handling of grievances, safety work, ventilation, sanitation, and other matters which would come under the general term "welfare"

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have comprised the primary agenda of these committees. A number, however, have also undertaken broader tasks. One committee, for instance, carried out an investigation into foundry costs and presented a memorandum on methods which was adopted by the management. Several undertook to grapple with the problem of tardiness and absenteeism. Another, again, acted on the complaint of the firm's officials that the carelessness of employes resulted in an unnecessarily large amount of scrap material. The workers' representatives pointed out that for certain technical reasons the remedy lay with the firm and proposed an experiment which had been successful in another mill. The management agreed, and the waste was considerably reduced. Another committee went into difficulties arising from a faulty method of tool distribution and evolved a more satisfactory system.

SOME SIGNIFICANT EXPERIMENTS WITH SHOP COMMITTEES

The most interesting and significant experiments with shop committees, however, have come from progressive individual employers.

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Britain, just as the United States, has her industrial "show places." Firms like Rowntree's, Cadbury's, Hans Renold, Ltd., Metropolitan-Vickers, Mather & Platt, the London General Omnibus Co., and others can be placed side by side with the best to be found in this country. It is pioneers like these that blaze the path and point the way in progressive labor policy for industrial management everywhere.

Unfortunately, space does not permit a detailed description of the personnel practices of all of these outstandingly progressive companies. All we can hope to do here is to present a picture of the works committees they have established. To this end we shall sketch certain general characteristics of all of them, and then set forth a more detailed story for two—Hans Renold, Ltd., and Rowntree's—which in our opinion are representative of the best practices to be found in England.

As in all things in Britain, there is considerable variation among these committees in both form of organization and range of function. Most though not all of them are joint. Some are equally representative of management and employes, but the tendency is not to insist on equal representation for management. For it

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is felt by many of the employers concerned that if works committees are to serve as a means of consultation and cooperation, it is better not to organize as if there were two definite sides, opposed in interest one to the other, and therefore requiring equal numbers to maintain the "balance of power" in the resulting tug-of-war.

In general, committees are consultative and advisory in their functions. What happens in practice, however, is that the management usually makes the final decision with the consent of the workers' representatives. Thus the workers may have no formal vote, but they actually do have a very real voice in the disposition of any problem affecting their working life within the factory.

None of these committees deals with basic wages, hours, and conditions. Such matters are considered to be solely within the sphere of union activities—subjects of negotiation between union and employers' association. The shop committee sees to it, however, that the trade agreement is properly executed within the factory. In addition, its members handle grievances for their constituents and exercise a check over dismissals and suspensions. Finally the management may utilize the committee as a

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means of informing employes about the state of business and acquainting them generally with the variety of problems—credit, production, raw materials, merchandising, competitors' prices, etc.—with which executives are constantly faced.

Employe members of shop committees or shop stewards are usually given freedom to move about the factory in the course of their duties, with the consent, of course, of the proper management officials. Moreover, in large firms such as Metropolitan-Vickers, where a works council has been functioning with extraordinary success since 1917, its chairman (who is also chief shop steward) while nominally a machinist and paid a machinist's wage, in practice devotes his entire time to his duties as chief employes' representative. Rowntree's is the only firm we found which, as will presently be described, put the chief shop steward actually on the payroll of the employment department.

The committees meet regularly, usually once a month. Several days before each meeting an agenda, drafted by the secretary from the topics suggested by both sides, is circulated in the factory. Facilities are given the employes' representatives to meet by themselves before the

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full committee convenes to determine their group position on the various items which will be discussed. They are paid for all time thus spent on committee business, generally at the rate of the average wage earned on their job.

Elections usually are held annually. In some cases, however, continuity is sought for the committee as a whole by retiring only a proportion of the members each year. Each committee has a chairman and a secretary, also generally elected annually. The secretary is often the employment manager of the company. Here it should be said that most of these progressive firms that have introduced works councils have also established well-organized employment departments in which the personnel function is centralized.

Some of the works council plans—those for instance, of Rowntree's, Cadbury's and Renold's—include a profit-sharing scheme. Much has been written and said in England about profit-sharing, but so far relatively few firms have actually introduced it. Among those schemes which have been introduced the mortality is high; a large proportion are abandoned after a few years. While trade unions may be lukewarm and indifferent toward shop committees,

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they are actually opposed to profit-sharing as such. On the other side, many liberal employers who have given thought to this problem have reached the conclusion that it is a mistake to expect workers to increase their production because of a possible share they might receive from the company's profits. That share is usually too small and paid at too long intervals to have any effect on their daily work. Some form of piecework, with guaranties against abuse, seems to them to offer a stronger incentive. Nevertheless, a few of them believe, as will soon be shown in the case of Renold's and Rowntree's, that a well-worked out and carefully explained profit-sharing scheme can be made a sound element of progressive labor policy. They see in it a means of keeping employes informed about the financial side of the business, and also of meeting the desire for a square deal, especially if the principles of division are jointly and equitably worked out.

SHOP COMMITTEE AT HANS RENOLD, LTD.

A detailed description of practices in one or two companies may fill in this outline picture of British works committees. From its origin in

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1909, the council now functioning at Hans Renold, Ltd., has developed into a multi-branched organization. There are today three central committees in the firm's council system, representing, as their names suggest, the three main classes of employes—the workers' committee, the foremen's committee, and the salaried workers' committee. From these three grades combined are chosen three "mixed" committees, charged with handling certain activities of concern to the labor force as a whole—education, the cafeteria, and the profit-sharing scheme. The manual workers, finally, maintain a welfare committee called the Social Union.

The theory animating the works council at Hans Renold proceeds from the belief that frank, democratic consultation and conference is creative, and so an important element in decision even when this last function remains finally with the management.⁵ The development of this council system reveals the spirit and aims that motivate it. Hans Renold, Ltd., located in Manchester, manufactures driving chains—those used on bicycles as well as in large-scale power transmission. It employs about 1,700 people, half of whom are women. Between 300 and 400 of the force are skilled machinists; the

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large majority, thus, are semi-skilled and unskilled. The factory is organized on mass production principles.

The development of committees for joint relations followed a particularly interesting, empirical course. Each committee grew in response to some need. The first, known as the Social Union, was created in 1909 at the request of the employes to organize social and recreational activities such as football teams and picnics. Originally the workers financed these activities alone, but now the company grants a partial subsidy. The management feels that this type of control over welfare has proved a much sounder arrangement than the usual Welfare Department, created and paid by the employer and often compelling workers to pay dues.

The next committee grew out of the problems created by the war. As it progressed, the introduction of women, the necessity of subdividing work and thus transgressing on craft jurisdiction, and the gearing up of production to its highest point of efficiency, imposed increasing strain, as already noted, upon industrial relations in the metal trades. The armistice in time added all the problems of returning industry to

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a peace-time basis. The management at Renold early felt the need of closer touch with the employes, so that problems confronting the business might be discussed before changes were made. Accordingly, in 1917 the executives asked the employes to appoint a committee to meet with them. A shop stewards committee was created, the first organization of its type established in the firm. It was presented as an accomplished fact. Since it represented only the skilled trade union men, however, the management did not consider it a completely adequate vehicle for works conferences. Another committee was accordingly formed which functioned side by side with the shop stewards committee until 1920. Purely trade union matters were handled by the shop stewards; all else by the other committee.

By 1920, however, the shop stewards succeeded in organizing all the workers and in bringing together the skilled, semi-skilled, and unskilled. Regarding the shop stewards committee as then representative of the whole mill, the management proposed, and the workers agreed, that the two committees be amalgamated. The single works committee which resulted has been in continuous operation since

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that year. It consists of shop stewards elected from the various departments of the works. Only trade unionists are allowed to vote, a restriction which the management regards as sound. In the first place almost everybody in the plant belongs to a union; and in the second place, as one of the chief executives explains it, "the general feeling is that people who will not take the trouble to join a trade union are not worth bothering about."*

Obviously, this committee is really a workers committee rather than a works committee, which has generally come to mean a joint committee of management and men. The executives of Hans Renold, Ltd., prefer this type of employe representation. They feel that the workers can be more independent than under the joint committee scheme. Moreover, under the arrangement prevailing in the firm, the committee has become the mouthpiece of all the trade unions represented in the plant, thus drastically reducing the old need for negotiating grievances with outside union officials.

The main activities of the committee center upon representation of the workers in applying nationally agreed standards of wages, hours, and conditions, and in handling those complaints

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which the individual shop stewards have not been able to adjust with foremen and superintendents in their own departments. As already pointed out, basic standards are laid down for the whole industry in the agreement negotiated by the unions and the employers' association. But questions always arise in the application of these standards to any individual workshop. In addition the committee represents the point of view of the workers when new machinery is introduced or other changes are made in the organization of the factory.⁷

Although membership on the shop committee in Renold's is not joint, the management has developed means for utilizing it to educate the workers in the problems of the company and to build up a common interest in the success of the business. Thus representatives of the management meet the committee every month and make a statement on business prospects and the possible effect of orders on the level of employment. If decreases in personnel are necessary, the management submits its plans for readjustment, the probable number of transfers from one department to another, and the probable number of lay-offs. The principle on which the necessary changes will be made are frankly put

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before the committee. An interesting point arose at the end of 1920, when the advent of the slump necessitated reductions in the working force. The management explained to the committee that only the most efficient would be retained. It was expected that the employes' representatives would hold out for the principle of seniority—that is that the oldest in point of service should receive first consideration. "However, it was not so," Charles G. Renold, one of the directors, tells us. "As the result of their close touch with the management, the committee understood sufficient of the conditions of our business to agree that in selecting people for discharge personal efficiency should be the primary consideration. . . . That agreement on their part was really remarkable." *

Like the workers, the foremen and salaried employes each have their committee to represent them in dealing with executive officials. The foremen's committee was organized shortly after the shop stewards committee. Difficulties had arisen because foremen felt their authority challenged by the fact that shop stewards could appeal from their decisions to the higher officials of the company. The foremen's committee gave them a vehicle for presenting their particular

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case. The committee of salaried employes in its turn was organized shortly after the foremen's committee.

Finally, three committees made up jointly from all three grades—wage-earners, foremen, and salaried employes—participate in conducting the cafeteria, educational activities, and a profit-sharing scheme. The company maintains a large cafeteria where lunches are served. The management found that "service is always one of the most difficult things to arrange with satisfaction to everybody." ⁹ After many complaints, therefore, a committee was set up in the manner just described to meet with the manager of the cafeteria once a month. Its functions are purely advisory. It hears complaints and receives the monthly financial statement showing profits and losses in the cafeteria. The results have been good. The workers have gained an insight into the difficulties of running a cafeteria. The cafeteria staff, on the other hand, has now a ready means of learning their patrons' preferences.

The education committee has proved a most effective means of promoting good relations. It is—and has been from the beginning—consulted on all phases of a continuation school for youth-

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ful employes established by the firm and now controlled by the city of Manchester. It supervises the work of the apprentices in the factory, with rather remarkably good results. "Before the committee was started," says Mr. Renold, "the treatment of apprentices was a fairly usual subject of complaint by the shop stewards, who complained that the apprentices were harshly treated or that discipline was too severe. After that part of the work was dealt with by the education committee—it was not handed over to the committee, because the committee is mainly advisory, but in practice an advisory committee which works well becomes very nearly an executive committee—we found that the shop steward members were apt to be much more severe on the apprentices than the management, and it was generally the case that the management representatives had to tone down the enthusiasm of shop steward members for disciplining the apprentices rather than the reverse."¹⁰

The profit-sharing scheme is considered by the management as the culmination of its whole attempt to promote better understanding. "In our view," to quote Mr. Renold again, "the main importance of the profit-sharing scheme is not in converting the workers into shareholders,

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or anything of that kind, though I do not want to minimize the importance of that, but that it forms a very useful means of interesting the workers in the financial and root problems of the business, and of explaining those problems to them."¹¹ Profits are distributed on the following basis: In any year, when the stockholders receive a dividend of 10 per cent or over, a sum equal to one-fifth of the gross amount of such dividend is distributed among the employes over eighteen years of age, exclusive of directors, managers, and assistant managers. Of the total sum thus available for distribution, one-sixth is set aside for the salaried staff, and the remaining five-sixths for workers of all other classifications. Distribution is in proportion to individual earnings during the year. Employes must be with the company fifteen weeks before becoming eligible to share in the profits.¹²

What is more interesting than the details of the plan is the way in which the management made it from the beginning a means of educating workers in the financial aspects of the business. Before the details were worked out, three series of lectures were given to the profit-sharing committee. The first presented the principles of general business finance; the second,

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the specific financial aspects of Hans Renold, Ltd.; and the third, illustrated by lantern slides showing simplified forms of accounts, balance sheets, etc., gave the elements of accounting. Only after the employes' representatives had gone through this preliminary process of education did the management undertake to discuss with them a scheme for profit-sharing.

One of the first questions to arouse considerable discussion was the return to capital. The management insisted on 10 per cent, arguing that a substantial return was necessary to permit the accumulation of reserves for future expansion. To the workers, however, 10 per cent seemed unreasonably high. But they readily agreed when it was pointed out to them that unless sufficient reserves were provided the company might have to go to the bankers for expansion capital, in which case the control of the business might pass from the present management.

Another issue which arose was the relative value of the office staff and the manual workers. The latter, imbued with the old theory that labor created all wealth, gave voice to their firm belief that the office workers were more or less superfluous. "That point had to be dealt with at very

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considerable length," says Mr. Renold. "They had to be shown why it was necessary to have a sales department, and the kind of difficulties that department had to face in approaching customers. . . . Incidentally we had some interesting discussions of the difficulties in collecting accounts. It was a revelation to the shop stewards that when chains had been made and sent into the packing-room, they were not wealth; that not even were they wealth when sent to the customer; that it was only when the customer's check arrived in the finance department that they could be said to be wealth. We read to them extracts from letters asking for time to pay, and making excuses for not paying accounts. Examples of that sort do more than any general talking to show what is done by the different departments." ¹⁸

The profit-sharing committee serves as the vehicle for keeping the workers in touch with the financial aspects of the business. It receives periodically the financial statements of the company. Statistics are also given covering sales, orders, production, fluctuations of exchange, bank balances, and depreciation. "The treatment of depreciation," reports Mr. Renold, "provoked an immense amount of discussion.

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There was a feeling that we over-depreciated in quite a shameless degree, and that we were reducing to an unduly heavy extent the profits which ought to be distributable, and we had to go to a good deal of trouble to show that the money actually spent on new plant was nearly always considerably greater than that provided by the sum for depreciation in the accounts.”¹⁴

A visit to the works, such as we made in the summer of 1927, convinces one that this company has found group discussion and consultation an asset to management. Production proceeded smoothly and with a high degree of efficiency. Everyone we interviewed, whether shop stewards or executive officials, expressed good will, interest in the success of the business, and confidence in the integrity of its leadership. Though management here reserves all rights of final decision, and the workers enjoy through their various committees only consultative and advisory power, nevertheless, both workers and executives have discovered, as Mr. Renold puts it, “that explanation very easily merges into consultation, and that consultation has a very great affect on execution. If you have to explain to a body of trade unionists and members of your staff why you are going to put up a new

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building, or to run up a bank overdraft for some purpose, you have to have pretty good reasons and be quite sure of your reasons before you face them; so that in practice it really influences the decisions of the board that they have to explain them and run the gauntlet of very well informed criticism." 18

CHAPTER VI

Pioneering with Shop Committees (Continued)

THE ROWNTREE EXPERIENCE

THE experience of Rowntree & Co., Ltd., candy and cocoa manufacturers at York, England, ranks among the most significant we have met anywhere. The firm employs about 8,000 people; over one-half are women. With few exceptions, the jobs are semi-skilled and unskilled. Mass production methods prevail. The high standard of human welfare obtaining there has been long praised. But it is not yet so generally known how admirably labor policy has been integrated into a rounded scheme of scientific management and how fully the leadership of the company has secured the cooperation of the trade union in making the business efficient.

FUNDAMENTALS OF LABOR POLICY

The principles upon which the labor policy of the firm is based will bear repetition: (1) earn-

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ings for the workers sufficient to maintain a reasonable standard of comfort; (2) reasonable hours of work and good working conditions; (3) reasonable economic security during the whole working life and in old age; (4) a status suitable to men as free citizens in the twentieth century; (5) a share in the financial prosperity of the industry in which the workers are engaged.¹ The machinery for realizing these aims is comprehensive. Operating in an industry for which a trade board has been established, Rowntree is affiliated with an Interim Industrial Reconstruction Committee after the Whitley model, formed in the industry by a group of progressive firms with the trade unions concerned. While wages and conditions are established by this national committee, the firm tries to raise its levels above these basic standards. An unemployment insurance scheme supplementary to state insurance is maintained. A system of committees and shop stewards for conference, consultation, and decision has been created. Finally, to insure the workers a share in any prosperity that may come to the firm a profit-sharing scheme is operated. The whole program is centralized in the hands of a special labor department.

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The actual application of these principles may be divided into two periods. Before 1922 the management stressed what might be termed the human factor. After 1922, when the company began to feel the effects of depression, emphasis was shifted to efficiency as the prerequisite for a sound labor policy. "I want to press home the fact," says Mr. Rowntree, "that failure to render a business thoroughly efficient injures not only the shareholders but the workers, and that no sound scheme for the human administration of a business can be built up on methods which are unsatisfactory from the material standpoint." ²

THE LABOR DEPARTMENT

To carry out the principles underlying its labor policy, as well as to gear in the human factor most efficiently with the whole mechanism of production, the personnel function is completely centralized in a labor department, at the head of which is a labor manager. This official, a trained economist who has specialized in industrial relations, enjoys a status equal to that of the other chief executives of the company. He is assisted by a men's employment

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manager and a women's employment manager who have charge of hiring, promotion, and discharge in the works. Placement is carefully supervised and pains are taken to introduce new workers to their jobs, their foremen, and the policies of the company. Vocational tests, worked out by the psychological staff, are being tried, and in the opinion of the firm are furthering successful placement.

In 1920 a unique feature in personnel practice was introduced. The chief shop steward was appointed a paid staff member of the labor department. The management felt that such an arrangement promised distinct advantage. As it was, the chief shop steward was giving the major part of his time to handling grievances and presenting the workers' viewpoint to the management. The chairman of the board consequently broached the proposed innovation to the union and both sides agreed to experiment with it. In general, such a practice may be questionable. At Rowntree's it has proved successful. The present incumbent has been able to hold the confidence of both management and employes. So completely has he held the confidence of the workers that they have continued to reelect him year after year to the presidency

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of the local union to which most of them belong. He has received notice of grievances at an early stage, and either convinced the workers of their irrelevance if they are unfounded, or, if real, dealt with them before they festered. Management officials in their turn have found it advantageous to have "a representative of labor in the employment department and frequently consult him when they want to know how the workers are likely to regard any proposed policy."

The agreement negotiated by the Interim Industrial Reconstruction Committee created in the industry, as already indicated, sets the levels below which wages and conditions at Rowntree's will not fall, but above which the company consistently seeks to raise them. At one time about 75 per cent of the workers on candy, cocoa, jam, and other confectionery were embraced within the reconstruction committee. The hope of its leaders, however, to transform it at an early date into a joint industrial council by increasing organization on both sides was blocked by the depression, which brought the resignation of a number of companies. Today the committee negotiates for only about one-

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half of the wage-earners engaged in the industry.

Although prevailing hours in the industry are forty-seven per week, employes at Rowntree's (in common with other large and progressive firms) work a forty-four hour week. These hours are spread over five days, so that employes enjoy a long week-end from Friday evening to Monday morning. A week's vacation with pay is granted the workers in Rowntree's, as in all candy firms affiliated with the Interim Industrial Reconstruction Committee. Some security, in all cases supplementing state insurance and in almost all involving cooperative activity, against the various hazards of industry, has been provided—against unemployment, by supplementary insurance paid by the firm and administered jointly; against sickness, by insurance derived from weekly contributions by the workers; against chronic invalidity, by benefits paid out of revenue from a block of preferred shares set aside for the purpose by the board of directors; against old age, by a scheme maintained jointly by the company and employes; and against death by a joint widows'-pension scheme.⁹

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SHOP COMMITTEES AND SHOP STEWARDS

To administer the basic agreement within the works as well as to offer vehicles for plant consultation and cooperation, two forms of local employes' representation exist side by side—shop stewards and works councils. In essence, the shop stewards are representatives elected from and by the union members in each department or section of a department to act on their behalf in dealing with complaints, promotions, transfers and discharges, time-studies and the administration of works rules. Works councils form a system of joint bodies representative of employes and management to deal with subjects of broad and general concern to both sides within the plant.

Rowntree's was one of the pioneers in Britain to experiment with works councils. At one time joint relations within the plant were organized primarily through them. Each section had its joint council; the sectional councils within each department elected a departmental council; and, finally, a central works council topped the structure. Today only some departmental councils and the central works council remain. For the management found so extensive a scheme of

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councils too cumbersome. The work before the sectional councils was often so trivial that little interest was shown, and they did not seem to justify the time consumed in their meetings. The shop stewards offered a quicker, less expensive, and generally more satisfactory way of representing the workers within a given section.

The departmental councils were also reduced in number. At present fourteen exist, varying in membership from twelve to thirty-two, according to the size of the department. Employees and management are equally represented on each. Workers eighteen years of age and over, in employment with the company at least six months, elect the employee representatives, who are usually trade union members. The representatives of the management are appointed by the officials of the company. Two guiding principles govern their selection—to give representation to the various administrative grades such as foremen, supervisors, etc., and to appoint officials whose knowledge and authority will further the prompt and satisfactory consideration of all pertinent matters. Shop stewards within each department are *ex-officio* members of its council.

The value of even these remaining depart-

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mental councils has been questioned. Some have worked well, some have not. As in so many forms of industrial machinery, much depends on the type of leadership. In general, the councils in which women workers predominate have not, in the words of Mr. Rowntree, "amounted to much." Here again the shop stewards have appeared often a more efficient vehicle of communication between management and workers than the council. Always available, they can handle complaints and proposals at once, while a council will meet only once a month or less.

But when the central works council considered the whole position in 1925, they recommended the continuation of departmental councils. Recognizing that shop stewards would probably assume many of the functions originally lodged in the departmental councils, they nevertheless saw value in the latter for the consideration of matters affecting not only individuals, but a whole department, or for broadcasting general managerial policies, discussing broad difficulties or exchanging constructive criticism. By bringing together periodically all groups—union and non-union members, foremen, supervisors, and other man-

SHOP COMMITTEES (CONTINUED)

agement officials—they afforded, too, it was felt, an instrument for developing a tolerant and co-operative spirit.

But however much the value of sectional or departmental councils may have been challenged, no one has ever questioned that of the central works council. This council consists of twenty-six management representatives, partly elected by the various grades of executives and partly *ex officio*, and twenty-five employes' representatives elected from among their own number by the workers' representatives of the departmental councils. Only one limit is set to the subjects which may be considered at its monthly meetings: no deterioration of the basic working conditions laid down by the national agreement can be broached. The central council has discussed such matters as the length of the working week, the apportionment of working hours over the week, arrangements for annual holidays, appointment of foremen, educational projects, interpretation of the trade agreement, conditions of employment, the problem of theft and how to deal with those found guilty of stealing candy, an unemployment scheme to supplement government unemployment insurance, a profit-sharing scheme, the

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appointment of the chief shop steward to the personnel staff, methods of eliminating waste, the drafting of works rules, and the creation of an appeal committee to which a discharged employe may refer his case for review.⁴

SPHERE OF ADVISORY FUNCTIONS

As at Renold's, the management at Rowntree's endows workers' representatives in most things with advisory powers only. All decisions of works councils, whether central or departmental, are subject to the veto of the board of directors. They may also be vetoed by the trade union concerned—an interesting innovation that is part of the management's whole attempt to secure and hold the confidence of the union in its scheme of plant representation. In practice, however, agreement has always been reached and neither side has had to use its veto power. Indeed, the company seeks to achieve through its council system "government by consent." This government, however, must be adapted to the needs of efficient industry. Thus the management is convinced that individuals, not joint committees, must be in sole charge of day-to-day executive work, and that in spheres where

SHOP COMMITTEES (CONTINUED)

interests conflict discussion must be the method of arriving at decision—not joint control.

In most functions, then, executive power and final decision rest with the management, which seeks to proceed in consultation with the workers. But the management at Rowntree's also has found, in the words of its chief, that "consultation may in its effects come close to real authority."⁸ In one important aspect of plant operation after another the workers' representatives exercise an effective voice. Thus, for instance, whenever it is confronted with the need for reducing staff, the management submits to the shop stewards the lists of those whom it would discharge. As a practical result, final choice is usually close to what it would have been if decision were actually joint. The shop stewards are also consulted in the appointment of foremen. "There is no use in appointing men to foremanship if they do not have the confidence of the workers," was the revealing explanation given to us by a member of the labor department.

Again, all dismissals, no matter what their reason, are submitted to the shop stewards concerned, so that the workers will be certain that justice has been done. Similarly—and again

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an interesting innovation—shop stewards participate in the procedures of fixing piece rates according to time-studies.

SPHERE OF JOINT DECISION

The management at Rowntree's thinks it important, however, to grant the workers more than the right of even such effective consultation. In certain matters, it feels, the worker should share directly in final decision. No general principles have been laid down as to the range of functions that should be submitted to such joint authority. Frankly experimental on this matter, the management believes that "the only prudent course is to consider each proposed development on its merits, but with the genuine desire to associate the workers in responsibility where this can be done with advantage to all concerned or at any rate without detriment to the undertaking as a whole. Development must necessarily be slow."*

One of the functions turned over to joint administration is the supplementary unemployment insurance scheme under which an employe laid off because of shortage of orders may receive compensation in addition to the unemploy-

SHOP COMMITTEES (CONTINUED)

ment benefit paid out of the national insurance fund. Although the company meets the entire cost of the scheme, its administration is in the hands of a joint committee elected by the central works council.⁷ A profit-sharing committee, elected in the same way, is entirely responsible for the administration of funds set aside for profit-sharing. A theft committee which disciplines those guilty of stealing candy is also joint.

The workers have also been granted decisive participation in maintaining discipline. The works rules are drafted jointly by the management and employees' representatives in the central works council. No provision is made for the cases of disagreement. But disagreement has not arisen. Both sides have been consistently fair and reasonable, and amicable decisions have always been reached. No alteration in rules can be made without mutual consent. The rules are administered by the management, but any employe, feeling himself unjustly treated, may bring his case to an appeal committee. Composed of two representatives appointed by the management, two elected by the workers in the central works council, and a chairman agreed upon by both sides, the de-

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cision of this committee is final. Two cases, on the average, have been appealed every year. About one-half of the decisions have been favorable to management, and one-half to the employes concerned.⁸

The management had considered also the advisability of representing the workers on the board of directors. Its decision here was in the negative. If appointed for a short time, it was reasoned, worker members would be handicapped at directors' meetings. If their terms were long, they might lose touch with the rank and file. Moreover, they would be asked to consider commercial and financial questions in which wage-earners are not directly concerned, interested, or informed.

COOPERATING FOR EFFICIENCY

The experience of the company since 1922 in its attempt to secure increased efficiency and scientific management with the cooperation of the union and the workers presents a significant and heartening story. With the advent of the depression in 1921, the company, hitherto prosperous as well as generous, began to show deficits in its annual statements. It had to con-

SHOP COMMITTEES (CONTINUED)

sider measures for stopping losses and putting the business on a paying basis. Management engineers and other business specialists were hired to study the problem and suggest new methods wherever necessary. The wage level in the company's works was discovered to be entirely out of line with that paid by competitors. Two drastic demands had to be made simultaneously upon the workers and the union—a drastic wage reduction and a substantial increase in production.

The management approached the union officials and placed the company's problem before them. In full and frank discussions all the facts were laid on the table. The books of the company were offered for examination. After considering the whole situation, the union officials agreed to cooperate in the task of putting the firm on a paying basis again, and inquired what procedure the management considered necessary for the workers. In reply the management indicated the probable need for the introduction of almost every device of scientific management which once had met the opposition of British workers—stop-watch measurement of every job for accurate readjustment of rates, some modifications in jobs,

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subdivision of tasks, new machinery, moving conveyors, and so on. A number of meetings and conferences were held. Demonstrations were made in time-study procedure. Assurances were given the workers that psychologists would be employed to safeguard them against undue fatigue under the new methods. They would have a voice also in determining the conditions under which the time-studies would be made, and guaranties would be erected against arbitrary reductions of piece rates. Complete agreement was reached.

PARTICIPATION IN SETTING WAGE RATES

The present procedure with regard to rate-setting is in itself an interesting experiment in cooperation. The national agreement negotiated in the industry by the Interim Industrial Reconstruction Committee establishes time rates only. But as with many other agreements governing British industry, it permits the introduction of piece rates into any plant provided they are set at such a point that they will yield to an average worker earnings at least 25 per cent higher than he would obtain under the time rates.

SHOP COMMITTEES (CONTINUED)

Piece work now predominates at Rowntree's. More than 90 per cent of the women and over 80 per cent of the men are employed on a piece work basis. In token of the company's anxiety to insure a "square deal," piece rates are set higher than the minimum required by the agreement—guaranteeing the average worker earnings at least 30 per cent higher than time rates. Minimum rates are based on a standard output for each job determined by time study. To prevent possible abuses, various devices have been created. In the first place, the "average worker" whose output is to be measured as a basis for wage rates is chosen in consultation with the employes concerned in the results. Again, in each section of the plant, a standing committee, composed of section manager, foremen, the shop steward, and another representative of the workers, is appointed to supervise generally the conditions under which time-studies are made.

Thus when a time-study is planned, the management representatives will name a worker of average ability. The workers' representatives must agree that he is a fair sample of the employes affected. Any questions they may have, however, must be raised before the time-study

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technicians come into the section. They see to it also that the conditions surrounding the tests are such as exist in every-day practice. Finally, certain workers have been trained in the use of the stop-watch, so that employes as a group can make their own checks on time-studies. When the standard output is finally decided, it must be approved by the workers' representative before it can go into effect.

Safeguards against abuses after rates have been fixed are also established. Thus the management undertakes to pay employes the standard rates for time lost through factors for which management is responsible,—when, for instance, material is not brought to them or a defect in the machinery develops. Again, established rates will not be altered unless some change has occurred in machinery, equipment, materials, or other conditions affecting the rate of output attainable by a given effort. If such changes have taken place and seem to warrant rate revision, the same procedures by which the old rates were determined must be followed to establish the new. By such measures the management has generally removed that suspicion against the piece work system born out of early abuses.

SHOP COMMITTEES (CONTINUED)

In this whole program the union has co-operated wholeheartedly with the management. They have helped persuade the workers to accept new labor-saving devices, job analysis, and time-studies. They ironed out difficulties that arose at the beginning when groups of workers here and there manifested a spirit of opposition. When we visited Rowntree's in the summer of 1927, the piece work system was fully established and accepted. Average earnings in 1926 were 43 per cent above time rates. Thus the workers had succeeded in raising actual earnings by 13 per cent above the minima set for them. As for the company, production by 1926 had increased, according to one official, by 20 per cent over 1922 levels, and the dangers that had seemed to threaten the business had been overcome.

The extent to which labor in Rowntree's became converted to the program of scientific management can be well seen from the paper read by Fred Hawksby, chief shop steward, at the Third International Congress on Scientific Management held in Rome from September 5 to 8, 1927. Mr. Hawksby, as already indicated, is both a paid official of the firm's labor department and president of the local union with which

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most of the workers are affiliated. He gave his paper describing the experiment at Rowntree's the revealing title, "Introducing Scientific Management with Union Cooperation." After pointing out that in the past the workers had been hostile to scientific management because of their ignorance of its true nature, methods, and results, their fear of unemployment, and the suspicion born in them through bitter experience with its use by unscrupulous employers, Mr. Hawksby proceeded to set forth in detail the steps (outlined above) taken at Rowntree's to transform this hostility into understanding and cooperation. He summarized in the following significant words the conclusion he thought warranted from this experience:

". . . Labor is willing to make its contribution to management, and to bring about the right solution of industrial problems. The mental attitude of labor toward scientific management is undergoing revision and readjustment. Labor is understanding more and more that high wages and tolerable conditions of employment can be brought about through excellence in service, the promotion of efficiency, and the elimination of waste. . . . Success today de-

SHOP COMMITTEES (CONTINUED)

pende far more on organization and management than in the past.

"Finally, there is no question in my mind that scientific management, if it is thoroughly scientific in recognizing the human factor, will find organized labor not only willing but anxious to cooperate; management, however, since it has the controlling interest, must take the initiative."

PARTNERSHIP

The Rowntree management, as that of Renold, keeps its workers regularly informed about the facts of the business. Every three months the chairman of the board of directors makes a financial statement to all works councils, departmental and central. At mass meetings, all the workers are informed of market conditions, factors affecting the supply and cost of raw materials, the activity of competitors, new lines which the company is bringing out, trends in prices. A review of the financial condition of the company is presented each quarter-year.

The company has also introduced a profit-sharing scheme. One of its objectives is to increase still further the employees' insight and

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interest in the financial problems of the company. But more important is the feeling on the part of the management that profit-sharing is an essential element in a rounded scheme for joint relations. Even though the share of the industrial worker may not be large enough to affect him in his daily work, there is a psychological value, reasons Mr. Rowntree, in knowing that "*whatever was produced* by the business as a result of the joint efforts of all concerned would be divided amongst them on some basis previously agreed upon as equitable."*

As in the case of Renold's, the scheme was introduced only after thorough discussion with the workers. When the board of directors had formulated the general plan, it was submitted to the central works council. A committee of ten was then established, five of whom were appointed by the central works council and five by the board of directors. It considered the plan carefully and recommended approval to the central works council. After considerable debate the latter also approved the scheme. The board of directors next signified their acceptance. When the consent of the trade unions was also won, the scheme was put into effect.

SHOP COMMITTEES (CONTINUED)

Briefly, profit-sharing at Rowntree's provides for a division of the surplus remaining after both employes and stockholders have been paid their respective "wages" and certain reserves have been set aside. Labor's "wage" is specifically defined as the wages and salaries normally paid on the basis of the standard trade union rates, to guarantee the workers that "their share of profits was not being found in whole or in part as a result of the payment of lower wages." Capital's "wage" is an amount equal to $7\frac{1}{2}$ per cent on the capital invested, or 1 per cent more than the average dividend on preferred stock. It is cumulative and arrears are carried forward from year to year. Three reserves are then set aside—a dividend equalization reserve, equal at least to 10 per cent of surplus profits, to make up the wages of capital in a bad year, an advertising reserve, and an emergency reserve to cover such crises as the late world war. All these reserves may ultimately be brought back into the total profit pool for distribution. One-half of the remaining profits are then divided among the employers—one-tenth among the directors, and four-tenths among the stockholders. The other half goes to the workers. All employes over eighteen

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years of age, who have been with the company for at least a year, share in proportion to their earnings.¹⁰

The scheme was introduced just before the depression began. Consequently, no profits have yet been available for distribution. Nevertheless, the central works council has approved the scheme and expressed its appreciation to the board of directors for introducing it.

This in brief is the story of the experiment at Rowntree's—an experiment still in flux. The company is reorganizing its production and merchandising policies. Detailed practices are still to be worked out. But there is, beyond doubt, under way here a most significant experiment in improving and expanding human relations in industry, carried out, it seemed to us, in a fine spirit of justice and according to the method of science, as far as it is applicable to industry.

SPORADIC ATTEMPTS AT COMPANY UNIONS

One other aspect of British works councils will interest American readers. As already pointed out, company unions have not gained any real foothold in Britain. A few, however, were launched after the general strike in 1926.

SHOP COMMITTEES (CONTINUED)

Notable among the firms in which they operate is the Dunlop Rubber Company in Birmingham, employing about 12,000 workers in the manufacture of automobile tires, golf and tennis balls, and similar rubber products. Prior to 1926 this company had agreements with a number of trade unions. Now only the machinists, a small proportion of the total staff, are organized in a union. For the remaining employes a joint factory council operates on the general lines of the Rockefeller plan in this country.¹¹

A number of printing-houses and newspapers published in the provinces have also introduced company unions. That organized by the *Manchester Guardian* has aroused wide discussion. Since it is well known for its labor sympathies, the announcement of a new labor policy made by this journal after the general strike came as a shock to many both in this country and in Britain. The difficulty seemed to originate in the often short-sighted policies of the strongly organized craft unions in the printing industry. Strict demarcation lines drawn between various crafts frequently made a smooth flow of work difficult. Then within a few years the *Manchester Guardian* was involved in three strikes over

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issues in which it was not primarily involved. A strike is often more serious to a newspaper than to any other business. This is especially true in a country like England, where London papers actively compete with local ones. And Manchester is only about three railroad hours from London.

The upshot was that the *Guardian* refused to resume relations with the trade unions after the general strike, and organized what is essentially a company union called the "Manchester Guardian & Evening News Society."¹² The *Evening News* is an evening paper published by the same company. The chief objective sought by the company is immunity from strikes. The plan was submitted to a vote of the employes and accepted. In many respects it is exceedingly generous. The company undertakes to assume and continue whatever trade union insurance benefits their employes had carried or enjoyed. In addition, full compensation is paid during periods of illness; a retirement system has been inaugurated; and safeguards are provided against unfair discharges. But the *Guardian* accepts rates of wages negotiated in the industry with the trade unions as the basis of its wage scales—a weakness it shares with many other

SHOP COMMITTEES (CONTINUED)

company unions. All differences which cannot be settled by the joint machinery established under the plan must be submitted to arbitration.

The company, however, is not anti-union. The editorial policy of the paper has not changed one iota in its traditional sympathy with the labor movement. Indeed, the management is perfectly willing to sign agreements with the printing-trade unions, provided that they recognize the company union as the local unit of negotiation and agree to arbitrate all differences. Three of the printing unions have already signed agreements of this kind. The largest one, however—the compositors—refuses to give up the right to strike. But given the attitude of the management, it seems altogether likely that some *modus vivendi* satisfactory to both sides will be reached in the course of time.

In general, we gained the impression that these company unions constitute only isolated exceptions from the general practices of joint dealing between employers and trade unions. Whatever progressive experiments will be launched in Britain seem likely to be undertaken through joint effort.

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FUTURE OF SHOP COMMITTEE

It may be that the future will see some increase in the formation of shop committees. Programs for industry such as that formulated by the Liberal Industrial Inquiry once again stress the potent need, and the subject was placed on the agenda of the Mond-Turner Conference.

Indeed, after visiting progressive firms like those here described, it seemed difficult to understand why other companies fail to follow their example. The good will, cooperative spirit, and high morale rooted in a common purpose evident in them, the degree to which workers and executives gave their utmost in furtherance of the joint interest, appeared an incentive sufficient to stimulate wide imitation. But executives often seemed to feel they could not follow in this path. When asked for reasons, they would usually stress difficulties and differences which they felt in their problems as compared with these other firms. Rowntree's does not have to produce for an export market, they would say, or Renold's has a one-purpose industry, chain making, where mass production can simplify the whole productive process. Investigation, how-

SHOP COMMITTEES (CONTINUED)

ever, did not always seem to reveal a substantial basis for such arguments. For firms like Mather & Platt and Metropolitan-Vickers sell a large proportion of their output in all the markets of the world and make a wide variety of quality products. Even Rowntree's and Cadbury's face some foreign competition, and, of course, keen competition at home. We cannot but conclude that the true explanation lies in the fact that the imagination of British industrialists has yet to be stirred by the possibilities of local machinery for securing intelligent and interested cooperation from their employes.

CHAPTER VII

Unemployment Insurance: Trial by Ordeal

To us in the United States, enjoying for years a level of high prosperity, unemployment insurance still appears an academic issue about which the general public is seemingly indifferent. To be sure, signs of warning appear now and again. Last year, for instance, the specter of unemployment suddenly startled us as estimates, in the absence of reliable records, reckoned the jobless workers at anywhere from two to seven million. They probably numbered close to four million. The short crisis of the winter of 1928, moreover, made it clear that to old types of chronically recurring unemployment, seasonal and cyclical, must now be added another—the maladjustment caused by the rapid mechanization of industry.

If in this country unemployment insurance is still in the academic stage, in Great Britain the continuing depression has made it a matter of vital daily concern. Moreover, if a program

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of reorganizing industry is finally undertaken in Britain as a necessary step toward ending that depression, the burden of unemployment is likely to grow heavier. For as we are learning in the United States, rapid introduction of machinery, mechanization, and mass production frequently result in throwing numbers of men out of work, temporarily at least. But in Britain no category of unemployment could constitute, as in the United States, a suddenly disturbing, entirely new factor. For one of the advantages assured her by unemployment insurance has been a continuous knowledge of how many and what classes of her industrial workers are jobless. To the involuntarily idle, insurance enables her to give some relief. Indeed, responsible spokesmen in British industry freely express their conviction that Britain could hardly have weathered these years of trial and stress without the assistance which the system of unemployment insurance brought to the millions out of work.

Prevailing opinion in the United States, however, is strongly opposed to such measures. Not that the plight of the individual wage-earner, who suddenly loses his job and cannot find another, has lacked portrayal. Here and there, to

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be sure, experiments with unemployment insurance and unemployment benefits have been launched. But for state schemes of insurance there is little sympathy. Business men fear, for one thing, the effects of "government in industry"; and, for another, the possible danger of destroying incentives to thrift and efficiency. Labor leaders also distrust government intervention. In addition they foresee a weakening of trade unions if the state does for the workers what, in their opinion, they ought to do for themselves through their voluntary organizations.

What does the British experience reveal?

NOT A DOLE

For eighteen years now Great Britain has been operating some form of unemployment insurance. The experiment has been subjected to the test of pre-war prosperity, the stress of the war, the short post-war boom, and the long and continuing depression. Against such a background British unemployment insurance well repays study.

But first must be cleared away the misconception that unemployment insurance in Britain

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is a "dole," with all the connotations of charity that the term implies. It is in reality nothing of the kind. Unemployment insurance in Britain, as will be demonstrated presently, is an actuarial form of insurance, in so far as the risk of unemployment can be actually determined at present. The term "dole" was first applied to a scheme of out-of-work donations introduced immediately after the war for the benefit of demobilised men. The term was then carried over, unjustifiably, to an emergency insurance measure introduced at the end of 1920 with the onset of the depression, and abolished in 1927. Briefly, it consisted of a form of benefit called "uncovenanted" or "extended" benefit that was paid to certain unemployed who, thrown out of work by the depression, could not meet all the tests of eligibility for the regular type of benefit, known as "covenanted" or "standard" benefit.

THE SYSTEM IN OPERATION TODAY

The law formulating the present system of unemployment insurance became effective in April, 1928. It embodied with some changes the recommendations of the unemployment in-

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insurance committee under the chairmanship of Lord Blanesburgh, specially appointed at the end of 1926 "to consider, in the light of experience . . . what changes in the scheme, if any, ought to be made." After collecting evidence from all pertinent sources, the committee agreed on a unanimous report. While it recommended certain changes, the system of compulsory, contributory unemployment insurance as such, received unqualified endorsement—and remained standing.

Thus in Britain today all manual workers and all other workers earning less than about \$1,250 (250 pounds), sixteen years of age and over, with stated exceptions, must be insured against unemployment. Each week a premium is paid for every insurable worker, about three-eighths contributed by the worker himself, another three-eighths by his employer, and one-fourth by the state. Out of the fund thus accumulated benefits are paid under definite conditions to insured workers during periods of involuntary unemployment. Approximately 12,000,000 workers are embraced within the scheme; some 4,000,000 are excluded. The employments specifically excepted include agriculture, domestic service, certain branches of the railways and

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public utilities, and a dozen or more minor categories—employments where comparative regularity of employment or exceptional conditions exist. Young workers between the ages of fourteen (when they may leave school) and sixteen are not brought within the scope of the law.

For purposes of insurance, workers are divided according to sex and age into six categories—girls and boys, respectively, aged sixteen to eighteen; young women and young men, respectively, aged eighteen to twenty-one; adult women and adult men. Contributions and benefits are then graduated within this range. Beginning with the girl for whom the total weekly premium is about seventeen and one-half cents ($8\frac{3}{4}$ pence), contributions proceed to twenty-one cents ($10\frac{1}{2}$ pence) for the boy, twenty-nine and one-half cents ($14\frac{3}{4}$ pence) for the young woman, thirty-five cents ($17\frac{1}{2}$ pence) for the adult woman, thirty-six and one-half cents ($18\frac{1}{4}$ pence) for the young man, and forty-two cents (21 pence) for the adult man.

When any insured worker becomes unemployed he is entitled to receive benefit if he can satisfactorily establish the following qualifications: (1) that he has been continuously un-

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employed for six days; (2) that thirty contributions have been paid during the two years preceding his claim; (3) that he is genuinely seeking work and unable to obtain suitable employment; (4) that he is capable of and available for work; (5) that he is free from disqualification—particularly that he has not left employment voluntarily without just cause, or been dismissed for misconduct; (6) that he is not unemployed because involved in a trade dispute; and (7) that he is attending such courses of instruction as are specified for him by insurance officers.

Those who meet these conditions receive weekly benefits as follows: about \$1.25 (5 shillings) for girls; \$1.50 (6 shillings) for boys; \$2 (8 shillings) for young women 18 years of age; \$2.50 (10 shillings) for young men 18 years of age; \$2.50 (10 shillings) for young women and \$3.00 (12 shillings) for young men 19 years of age; \$3.00 for young women and \$3.50 for young men 20 years of age; \$3.75 (15 shillings) for women, and \$4.25 (17 shillings) for men 21 years and over. In addition, supplemental benefits are paid for legally defined "dependents"—to each insured contributor \$1.75 (7 shillings) for an adult de-

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pendent and 50 cents (2 shillings) for each dependent child under the age of fourteen. All young men and young women who have such dependents, moreover, are entitled to the same rates of benefit for themselves as is paid those 21 years and over.

Certain temporary provisions have been incorporated in the Act to facilitate the transition to the permanent scheme.¹

THE DEVELOPMENT OF THE PRESENT SYSTEM

Unemployment insurance first appeared in Britain in legal form through an act of 1911 which became effective the following year. This first statute frankly launched an experiment. It provided the protection of insurance for about 2,500,000 workers in seven trades which normally entailed a heavy risk of unemployment. They included almost entirely men's trades—building, construction of works, shipbuilding, mechanical engineering, iron foundries, construction of vehicles, and sawmilling.

This first law embodied the principles upon which unemployment insurance has since rested—(1) that the industries covered should help maintain through depression and short-time the

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reserves of labor required by their peak employment; (2) that such maintenance should be compulsory, and (3) that it should be assured by contributions from workers and employers with a supplement from the state.

Apparently the originators of the scheme planned little more than a supplement to savings. Rates of benefit were comparatively low—\$1.75 (7 shillings) per week for those eighteen years and over, and half that amount for those between seventeen and eighteen years. These benefits were granted only for fifteen weeks as a maximum during any one year. No allowances were made for dependents.

Yet in the early years these provisions proved adequate. They apparently helped the great majority of workers involved, as revealed by investigation in 1913, to meet periods of unemployment without recourse to relief agencies or other outside sources. Income to the unemployment fund considerably exceeded expenditure, and the surplus was still further increased during the war, when men had little difficulty in finding work. By 1920 only two changes had been introduced. In 1916 workers in munitions and war industries were brought within the system. In 1919 rates of benefit were increased

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without corresponding increase in contributions.²

ACT OF 1920

The Act of 1920, superseding all previous laws, broadened unemployment insurance to its present scope, from somewhat over 4,000,000 workers to a total between 11,000,000 and 12,000,000. Its provisions were naturally influenced by the optimism born of the early experience with the system. Government actuaries had estimated for the seven industries originally included an average annual unemployment of 8.6 per cent. In the years immediately following 1912, however, employment in these trades was good. In 1913 and 1914, unemployment among members of trade unions averaged at about 4 per cent. During the war it became almost negligible, falling to 1.2 per cent in 1915 and under 1 per cent in 1916, 1917 and 1918.³ With the labor market in such a favorable condition, the broadened scope of the act in 1916 naturally still further increased the surplus piling up in the fund. Indeed, later experience makes it appear that the government missed an opportunity here. If the full extension of the scheme had been made in 1916 on the

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eve of prosperity instead of in 1920 on the eve of depression, the unemployment fund might have accumulated a surplus large enough to avert many of the financial difficulties that finally arose.

Even the instability arising out of the armistice did not appreciably dampen the optimism created by the early showing of the fund. Not that observers did not realize the heavy call for benefits which demobilization and disbanding of war industries would impose if no other provisions were made for the jobless. But what might have been a crisis was averted by an emergency measure, already referred to as the origin of the term "dole," that granted special out-of-work donations for one year to all unemployed civilian workers and for a longer period to unemployed ex-service men—a measure adopted apparently on the theory that the insurance fund could be expected to meet only periodic, normal fluctuations in employment. Thus it was that in spite of increased benefits enacted by the act of 1919, and in spite of continuing low rates of contributions, the unemployment fund had accumulated by the end of 1920 a balance of over \$100,000,000 (22,200,000 pounds).⁴

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This showing was recognized, of course, as the product of a short and in many respects abnormal experience. But it inevitably colored the attitude of the framers of the enlarged insurance program. For it must be remembered that the original scheme had been designed to meet the high unemployment risk of specially exposed trades. The extended system of 1920 embraced comparatively regular as well as irregular employments. Naturally its sponsors foresaw for it a lower general risk than had been postulated for the first experimental system. Certainly, in face of usual fluctuations in employment, the early successes seemed to promise the enlarged scheme at least actuarial safety.

ATTEMPTS TO ADJUST SYSTEM TO THE DEPRESSION

But no sooner had the new act become operative in November, 1920, than business fell into a precipitate slump that leveled out into the present protracted depression. During the very first year of its operation, in 1921, the system had to meet an unemployment incidence of 17.0 per cent; it fell after that, but only to 14.3 per

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cent in 1922, 11.7 per cent in 1923, 10.3 in 1924, and rose again to 11.3 per cent in 1925 and 12.5 per cent in 1926. In 1927 it fell to 9.7 per cent only to rise again in 1928 to 10.9 per cent."

This unforeseen situation naturally created serious strains and necessitated the adoption of unusual expedients. Thirteen supplementary Acts were passed between 1920 and 1926. They introduced frequent changes in the rates of contributions, new forms of benefit, alterations in the conditions for receiving benefits, administrative innovations. Many of the modifications proved temporary.

EXTENDED BENEFIT OR THE "DOLE"

Foremost among the temporary expedients introduced stands the already noted extended benefit, or the "dole," as it came to be called. The very name given it distinguished "extended" from "standard" benefit. Standard benefit, to repeat, is the type of straight insurance against unemployment established by the Acts of 1911, 1920, and 1927. It hinges upon the maintenance of a definite relationship between the amount of benefit drawn out of the fund and the amount of contributions paid in.

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But just as some 8,000,000 additional workers were brought within the compass of unemployment insurance in November, 1920, the depression began. It was obviously impossible for many men and women who were suddenly thrown out of work to accumulate the contributions that would entitle them to benefit. The depression, it was thought, as other depressions in the past, would run its course; the insurance system could well afford to make special provision for new entrants. Consequently, an emergency act granted right to unemployment benefit under certain conditions even if no contributions had been paid to those among the unemployed who had been employed in insurable trades for a given period during 1920. How thoroughly this was regarded as an emergency measure is evidenced by the fact that its provisions were to terminate in June, 1921.

But June, 1921, came and went—and several Junes after that—and the depression continued. The dilemma that confronted the enlarged insurance system at its inception persisted, as hard times made it impossible for many workers, despite their best efforts, to maintain the required relationship between contributions and benefits. During 1921 the practice of “extend-

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ing" benefits against future contributions—"extended benefit"—was definitely established. It was continued until December, 1927, as act after act was passed to relax now one, now another of the conditions governing the equilibrium between benefits and contributions. But it should be realized that the whole theory of extended benefit, as much as that of standard benefit, upheld the maintenance of a connection between contributions and benefits. Benefits were "extended" against *future* contributions, while standard benefits were granted against *past* contributions.⁶

At all times, moreover, the recipient of extended benefit had to meet clear-cut statutory requirements. These requirements were generally rigidly enforced. Special committees, known as rota committees, were created at each employment exchange as part of the administrative machinery representative of local workers and employers in connection with the insurance scheme; their chief duty was to assist the government in testing claims for extended benefit. Just as did the claimant for regular standard benefit, the claimant for extended benefit had to prove that he was genuinely unemployed, capable of, available and seeking for, suitable work, and

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free from disqualification. In addition he was required to establish the fact of his usual employment in a trade in which in normal times he would be likely to find work, as well as the procurement of a reasonable amount of employment in his trade, all circumstances considered, within the two years preceding his claim.

Although the prevailing tests governing the payment of standard benefit at any time were not applied to claims for extended benefit, certain requirements in this connection, too, had to be met. Thus after 1924 applicants for extended benefit had to prove at least eight contributions within the two years prior to application, or thirty contributions since entry into the scheme. But even if these conditions were fulfilled, an application might be denied if the claimant could reasonably look for support to his immediate family (with whom he was residing) or to short-time employment.⁷

It was the relaxation of the standard relationship between contributions and benefits and the discretionary nature of the grant on the basis of special need or hardship that lent color to the epithet of "dole." Opponents passed over its characteristics as a loan against future contributions as well as its careful and exacting super-

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vision. Yet it must be noted that many employers as well as workers, the National Confederation of Employers' Organizations as well as the Trades Union Congress, and prominent spokesmen of the press and community protested against "the unfairness" of the term.

The actual status of extended benefit, about which so many charges and counter charges were being made, was revealed by investigations undertaken from time to time by the government. These indicated undoubtedly a problem of considerable size, but they effectively answered all charges of laxness in administration, widespread procurement of "something for nothing," and similar accusations.

Thus a special inquiry made by the Ministry of Labor in 1925 revealed that slightly less than one-half (47.6 per cent) of the total benefits then authorized were for extended benefit.⁸ Another in 1923 showed that 75 per cent of the men and 61.4 per cent of the women then claiming benefit had over fifty-four contributions to their ledger accounts.⁹ Of the 2,065,491 applications for extended benefit referred to rota committees from November 2, 1922, to October 17, 1923, over 300,000 (309,965), or 15 per cent, were refused. In 1925, 13.4 per

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cent and in 1926, 14.6 per cent were refused.¹⁰ Of the grants actually made only a surprisingly small number could be criticized as over-lenient. Thus an inquiry in 1925 established, in the words of the Blanesburgh Committee, that "no more than 7 per cent of the approved claims for it [extended benefit] were found open to question, and these only in the sense that, on a strict interpretation of the Act they should, in the opinion of the Investigators, have been refused. . . ." ¹¹

Even from the viewpoint of finance, extended benefit was entailing no unduly alarming burden until the coal stoppage and general strike of 1926 disrupted industry. The insurance scheme accorded to the administrators of the unemployment fund the right to meet deficits by borrowing from the Treasury up to about \$150,000,000 (30,000,000 pounds).¹² The maximum deficit on the fund before 1926 was reached in March, 1923, when about \$85,000,000 (17,080,000 pounds) were borrowed, a deficit well within legal bounds. But even more important, by February, 1926 it had been reduced to approximately \$38,000,000 (7,580,000 pounds). The coal stoppage and general strike of 1926 stemmed this favorable movement and raised

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the deficit to over \$100,000,000 (22,040,000 pounds). By the law of 1927 this debt is in process of redemption. A supplemental contribution is levied for the purpose in respect of every insured worker to be paid until the debt is redeemed.¹⁸

With the act of 1927 extended benefit came to an end.

DEPENDENTS' BENEFIT

Among the modifications made in the insurance scheme that have been retained, two are of special interest—dependents' benefit and the abolition of the right of individual industries to "contract out" of the general system by setting up their own special schemes.

Dependents' benefit, introduced in 1921, established for the first time in Great Britain the principle of family endowment. For as its name implies, it accords qualified unemployed workers additional benefits for persons immediately dependent upon them. Dependents' benefit was first regarded as a temporary expedient, but in 1923 it was amalgamated with unemployment benefit; and the Act of 1927, following the recommendations of the Blanesburgh Commit-

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tee, established it as a permanent feature of British unemployment insurance.

A wide interpretation has been given to the term "dependent." In the earlier Acts it was made to include not only dependent wife or husband and minor children, but also a housekeeper charged with the care of dependent children, a widowed mother, a common-law wife, and illegitimate or adopted minor children. The Act of 1927 introduced some changes in the scope of the term. A common-law wife is now excluded if no children have issued from the union; dependent unmarried mothers or stepmothers are included. An unemployed individual can obtain benefit for only one adult dependent; its amount under the present law is roundly \$1.75 (7 shillings) per week. About 50 cents (2 shillings) per week are paid for each minor child.¹⁴

INSURANCE BY INDUSTRY

Insurance by industry received a short trial in Britain. For the Act of 1920 accorded industries the right under certain conditions to withdraw from the general insurance system and to set up an equivalent plan within their own respective limits. Two industries, banking and

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insurance, availed themselves of this privilege before the government decided, one year later, in 1921, to rescind it until the depression had ended. But the Act of 1927 abolished "contracting out," although banking and insurance are permitted to continue their special schemes.

So extensive is the interest in this country in schemes for unemployment insurance by industry that it may be interesting to review briefly the changes in attitude that experience has produced among employers and workers in Britain. When the general system of compulsory insurance for practically the whole of British industry was under discussion, protests were heard from those industries in which employment was relatively regular. To meet their objections the "contracting-out" clause was finally incorporated into the law.

It was hoped that this clause might in time stimulate preventive measures against unemployment by the possibility it offered of obtaining advantages from lowered unemployment risks in reduced rates of contribution. The onset of the abnormally long and severe depression just as the scheme was launched represents, of course, a burden which most experiments of the kind need not fear. But it did reveal the danger

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of permitting intrinsically low-risk industries to withdraw from a general unemployment fund. If the government had not revoked the privilege of contracting out, higher rates of contribution would have had to be demanded from the very export trades which were especially hard hit.

However, recognizing the value of the experiment, the government sought to continue it by providing in 1921 that abrogation of the right to contract out should continue in force only as long as the fund was in debt. But interestingly enough the parties to industry themselves came to look with disfavor upon this plan. Thus the National Confederation of Employers' Organizations rejected an extension of insurance by industry when the government in November, 1922, consulted with representatives of employers and employes as to its advisability. They considered it impracticable on any wide scale because of demarcation difficulties between industries, inter-industrial movements of workers, problems created by casual and seasonal workers, and high financial costs. The unions did not give a conclusive reply at that time, but they, too, have since lined up against the proposal. Nevertheless, in recommending maintenance of the *status quo*—continuance of the two special

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schemes launched in banking and insurance but abrogation of the right to form further schemes of the sort—the Blanesburgh Committee expressed its conviction that the final word had not yet been written when it said, "The question of the adaptation of unemployment insurance to the needs of particular industries is one on which we do not doubt future development is to be looked for, and the continuance of these two schemes [banking and insurance] may not be without its value from that point of view."¹⁸

ADMINISTRATION OF THE SYSTEM

Such, then, is the insurance system as the ordeal of the depression has refashioned it. Obviously, in any scheme of such complexity and scope, involving practically all industrial employers, as well as 12,000,000 workers and their dependents, administration is an essential element in success or failure. In Britain, unemployment insurance has enjoyed the advantage of being administered by a professional civil service. The British civil servant, recruited in the main from the universities, above allegiance to any specific political party and continuing in office regardless of changes in government, is

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regarded as a permanent expert in the service of the nation. It is the consensus of opinion in Britain that those responsible for the administration of unemployment insurance have accomplished a large task under extremely difficult conditions with noteworthy efficiency and consideration.

The foundation of the administrative structure lies in the close relationships between the public employment offices and the insurance scheme. From the beginning the employment exchanges established by law in 1909 and unemployment insurance initiated two years later have been regarded as integrated, interrelated aspects of one program. It is predominantly at the exchanges that claims for benefits are made and investigated, benefits distributed, appeals lodged, records kept. The work of the exchanges, again, emphasizes the constructive end of the insurance scheme—the attempt at control through accurate knowledge of the dimensions and distribution of unemployment, the effort to bring together idle workers and vacant jobs, the continuous testing of a worker's right to receive benefit during involuntary unemployment by his willingness and capacity to accept work. The exchanges also cooperate in efforts to reduce

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unemployment through training schemes, emigration, relief work, and similar measures.

The Ministry of Labor coordinates and heads up the whole gigantic task. Finally responsible in all things to Parliament, it must answer for the satisfactory administration of the scheme. The Minister of Labor is intrusted with the supervision of the unemployment fund and protection of its solvency, formulation of general administrative regulations, and determination of questions of scope and application.

Executive control over detailed administration is centralized in a special department of the Ministry of Labor—the Employment and Insurance Department. Other departments of the Ministry, of course, cooperate in handling special aspects of the work. Some concept of the size of the task may be obtained from the single fact that in 1927 there were over 17,500,000 separate ledgers at the claims and records office. Records must be kept not only of current accounts, but of all workers at any time connected with the scheme. This resulting catalogue probably forms one of the longest lists of names in existence. To aid identification and prevent attempted fraud, no less than 12 dis-

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tinguishing characteristics of each individual are recorded with his account.¹⁶

The machinery of daily administration covers five different types of organizations—the employment exchanges, the insurance officers, the judicial machinery, representative committees, and the claims and record office. The basic system of employment exchanges was established by an Act of 1909. Hierarchical in structure, it extends from London “headquarters” through the divisional area, to the unit employment exchanges and branch employment offices. Upon “headquarters” rests the responsibility of supervising, directing and controlling all activities of the service. Seven divisional area controllers stand at the head of the seven administrative districts into which the country has been divided for insurance purposes. Within these various areas the basic employment exchanges and branch employment offices conduct the daily routine of both placement work and unemployment insurance. Employment exchanges exist in all the principal towns of the kingdom; by the end of 1926 there were 410 of them. Branch employment offices serve the smaller towns and rural districts; 752 of these are in operation.¹⁷

At least one insurance officer, known as the

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"local authorizing officer," is attached to each exchange. He passes first judgment upon claims for benefit presented within his jurisdiction. But obviously the daily application of the generalized legal terminology of unemployment insurance gives rise frequently to vexed questions of interpretation. Provision must be made for appeal from first decisions rendered by the local insurance officers; it exists in the form of a definite judicial machinery.

The chief insurance officer and his assistants, statutory officials located in London, constitute the court of first appeal for disputed claims and moot points of any kind. From the chief insurance officer they may pass to special courts of referees and finally in some cases to the umpire. A court of referees consists usually of three members—a chairman, a man of legal training appointed by the Minister of Labor; a representative of employers and a representative of insured workers. Court members are chosen from panels of employers' and workers' representatives specially appointed by the Minister. Civil servants from the divisional office staff act as court clerks. The umpire and his deputies are judicial authorities appointed by the Crown and thus independent of the Ministry

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of Labor. The umpire's verdict is final and attains the force of court decision as precedent for future cases. These precedents are creating a bulky book of "case law" on unemployment insurance.

Through the joint committees, the fourth type of organization connected with the daily work of unemployment insurance, is sought the cooperation of the parties to industry. The various committees, therefore, are usually composed primarily of representatives of employers and insured workers, although other interests concerned, such as ex-service men's associations, also receive representation. Most important, until their work was taken over by the courts of referees, were the local employment committees, one of which was generally attached to each employment exchange. They participated in local placement and insurance work, and generally formed the link between workers and employers and the insurance scheme.

Sub-committees of these employment committees, known as the "rotas," or rota panels, figured importantly in the work of investigating and granting claims for "extended benefit," and their achievement here won high praise.¹⁸ With the abolition of "extended" benefit, the "rotas,"

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too, have been abolished. Among the various other committees created are the juvenile sub-committees, the women's sub-committees, the emigration sub-committees, the King's National Roll sub-committees (concerned with the effort to persuade employers to hire a definite percentage of their workers from among disabled ex-service men), the relief works committees, and the local technical advisory committees, set up from representatives of various industries for consultation in matters of industrial training and specific trade difficulties.

At the claims and record office, finally, is centered the elaborate bookkeeping of the scheme. A clearing-house for unemployment books, the office furnishes records of the contributions accounts of claimants for benefit, and issues, classifies, and balances the unemployment books, application forms and individual records.

Trade unions and other associations enumerated by the law may act as agents of administration for their own members if they meet the legal requirements of maintaining their own unemployment benefits, guaranteeing adequate placement work, and fulfilling the general requirements of the insurance scheme. They are

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under state supervision and receive a partial subsidy. At the beginning of 1927 such arrangements were in operation with 150 associations covering over 1,100,000 members, or about one-twelfth of all insured workers. They are continued by the Act of 1927.¹⁹

The showing on administrative costs has been a good one. The Blanesburgh Committee estimated them for 1925-1926 at approximately \$23,500,000 (4,700,000 pounds); if all the other work done by the exchanges in connection with the scheme is added the estimated costs reach during a year some \$25,000,000 (5,000,000 pounds).²⁰ This represents a cost well under that permitted by the law, that is, one-eighth of the contributions paid in. It also compares favorably with other insurance schemes. Thus while the administrative costs of unemployment insurance have been around 8.3 per cent, those of industrial insurance companies have been 41.9 per cent; industrial insurance collection societies 43.6 per cent; workmen's compensation, 37.4 per cent; and public health insurance, 13.0 per cent.²¹ One factor credited by students with contributing to this remarkably favorable showing of unemployment insurance is the large amount of work

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done hitherto by the voluntary local employment committees.

The tribute accorded by the Blanesburgh Committee after thorough investigation is full answer to the many questions that have been raised as to the "costs" of British unemployment insurance: "Whatever else can be said about unemployment insurance, it has at least substantially paid its way." 22

PROCEDURE OF UNEMPLOYMENT INSURANCE

Unemployment books in the form of four-side cardboard folders constitute the "policies" of insured workers. Distributed by the employment exchanges, each one covers an "insurance year" running from July to July. The application by which every worker obtains his unemployment book contains a record of personal characteristics, occupation, and experience. The unemployment book itself contains the holder's name, address, and occupational number on the front page, and on the inside fifty-two blank spaces for the contribution stamps that must be inserted each week.

On entering a new position, or at the beginning of the new insurance year, the worker

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hands his unemployment book to his employer, upon whom responsibility for fulfilling the requirements of the law thereupon devolves. Premiums are paid through unemployment insurance stamps purchased at the post office in different denominations for men, women, and young workers. Every week the employer enters the proper stamp in each worker's book, and automatically deducts from his wages the worker's contribution. He then immediately cancels the stamp by marking the date across its face.

Special arrangements are permitted by which the employment exchanges will, for a small service charge, perform this work for employers; or by which employers who give regular work to a good number of employes may pay insurance contributions for longer intervals than the usual week. But in a final analysis responsibility rests upon employers for payment of full contributions, and penalties may be imposed upon them for failure to meet this obligation. At the end of each insurance year stamped books are returned to the local employment offices and exchanged for those covering the coming year. The canceled books are sent to the claims and record office to be entered in

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the personal insurance accounts of the respective workers.

When an insured contributor loses his employment, he takes his unemployment book from his employer and "lodges" it at the employment exchange. There he receives the "claim" form, which he must fill out, sign, and return to the officer in charge as the first step toward obtaining benefit.²⁸ From then on he is required to register for each day of unemployment. Thus idle workers are compelled to register at the exchanges; there is no parallel obligation upon employers to notify vacancies.

Six days of continuous unemployment must elapse before the claimant may receive benefit—the "so-called" waiting period. To give "continuous unemployment" a legal rather than a literal meaning for the sake of workers in casual and irregular occupations, the term obtains a special definition under the law. Thus for the purpose of the act a period of continuous unemployment is "any three days of unemployment, whether consecutive or not, within a period of six consecutive days," and the required waiting period is met if a claimant has been unemployed for "any two such continuous periods separated by a period of not more than ten weeks." In other

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words, the "continuity rule" is measured by weekly work records rather than daily, and the waiting period of continuous unemployment prerequisite to receiving benefit may be accumulated from the records of ten weeks. Obviously such interpretation saves casual workers from the hardship of having to meet over-frequent new waiting periods.²⁴

Upon receiving a formal claim for benefit, the exchange immediately launches an investigation. An inquiry blank is forwarded to the employer to discover whether the claimant has represented the causes of his unemployment correctly and is free from the disqualifications already enumerated. If the employer raises questions on the claim, the claimant is given an opportunity to submit counter-statement to the insurance officer. If, on the other hand, the employer testifies that the claimant has been laid off through no fault of his own the claim is indorsed on this first count.²⁵

The local exchange has meanwhile written to the claims and record office to ascertain the claimant's title to benefit. From his personal insurance account it is seen whether thirty contributions have been paid in within the previous two years, and whether or not he has exhausted

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his statutory right to benefit through drawing insurance for more than thirteen weeks within the half-year.

If this aspect of the claim is satisfied, the office next ascertains whether the claimant is genuinely seeking work and is capable of and available for it as revealed by his attempts to find work, and his willingness to accept "suitable" employment that may be found for him by the exchange or other agencies (*e.g.*, his union).

The interpretation of "suitable" employment, especially under the conditions of the abnormal depression, has proved a knotty problem; a substantial body of case law upon it has been accumulated through decisions of the umpire. In one particular phase of this problem experience revealed the need for some change in the law. Before the Act of 1927, a claimant could reject almost indefinitely work outside his own trade; after its passage, rejection of such work after "a reasonable time" constitutes a disqualification for receiving benefit. The meaning of "reasonable" time is left to interpretation. It remains to be seen how far this expedient will meet the dangers of immobilizing an unemployed labor force inherent in any insurance

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scheme which subsidizes for lengthy periods a worker's unwillingness to leave his own trade.

When investigation reveals that a claim fulfills all these statutory requirements, and the "waiting period" has been met, the worker will thereafter receive his benefit for each week of unemployment. It is paid by a flat-rate benefit, varied only according to sex and age, as already described. The claimant must, of course, continue to satisfy stated requirements; he must regularly sign the unemployed register, genuinely seek work, manifest willingness to accept openings, and, if so advised by the exchange officers, attend designated courses of training or instruction.

The validity of supplementary claims for dependents is tested by separate investigation which often involves laborious and detailed work. For the determination of whether or not dependents actually come within the definition of the law entails personal interviews and investigations into family history. Local employment committees, as already indicated, rendered valuable assistance here.

But somewhere in the accumulation of this evidence a dispute may arise between claimant and official as to whether some phase of it does

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or does not prove disqualification for receiving benefit. As soon as such issues arise, benefit is refused or suspended while the judicial machinery of the system is invoked. Should the chief insurance officer uphold the local exchange in denying a claimant benefit, the latter may appeal to a court of referees within twenty-one days after notification of this decision. No lawyers may appear before the courts, and neither the press nor the general public are admitted to hearings. Witnesses whose testimony is demanded will be granted allowances for attendance. A majority opinion of the court is decisive.

Final appeal may be made to the umpire by the insurance officer or the trade union of which the claimant is a member, or, if permission to do so is granted by the court, by the claimant himself. Lawyers may represent the parties before the umpire, and while the attendance of claimants is not required, it may be requested and covered by allowances for expenses. As already indicated, decisions by the umpire are final.

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AN ESTIMATE OF BRITISH UNEMPLOYMENT INSURANCE

When German legislators were undertaking the formulation of a system of national contributory unemployment insurance, they studied diligently the experience of Britain. They were able to write into their own law many devices designed to avoid difficulties which Britain had met and to copy that which Britain had found good. As interest in the problem of dealing with unemployment by group effort increases everywhere, it is inevitable that British experience should be subjected to investigation. Two questions especially will probably be directed to it: (1) Has it been able to contribute in any way toward the control and reduction of unemployment? (2) What has been its effect upon the unemployed beneficiaries?

Natural as such queries are, it is impossible as yet to give clear-cut answers to them. Not only has the British experience been comparatively brief as social experiments go, but, far more important, it has thus far been compelled to function in an extremely abnormal period.

Just as workmen's compensation has promoted industrial safety, so unemployment in-

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insurance may be justly expected to promote the regularization of the labor market. It must be said at once that the evidence shows no outstanding achievements on this score to the credit of British unemployment insurance. As soon as this is said, of course, extenuating facts can be noted. The burdens of the depression have naturally limited all constructive activities. Employment opportunities have not been abundant and overworked officials have had little time to seek out those that have been available. Britain suffers from the fact, too, that the law does not require employers, as does the German law, to notify vacancies. The unwillingness of the British Dominions to accept industrial immigrants has curtailed the amount of relief that could be sought through overseas migration.

But one thing the British system has accomplished. It has revealed—and developed—some of the mechanisms of regularization that might be used under normal economic conditions. The exact statistical data on unemployment yielded by the system can unquestionably afford important assistance. For one of the first requisites in coping with any problem lies in definite knowledge of its extent, concentra-

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tion, and nature. The employment exchanges, intimately related, as we have seen, to the administration of insurance, offer instruments for placement, constant study of the labor market, and advising long-idle workers on the advisability of further training or transfer to new positions. Finally the system can facilitate experiments with special schemes for increasing employment such as "dovetailing" in seasonal work,* registration of casual workers, training schemes, the sponsoring of emigration and special relief work, and transference of workers from areas where employment is no longer available (*e.g.*, coal mining districts which have shut down) to more prosperous localities.

It must not be thought that Britain has failed to utilize all of these measures during the past eight years. But the causes of much of Britain's present unemployment are so rooted in fundamental economic shifts that only the most con-

* British experience reveals an interesting limitation in the possibility of "dovetailing" seasonal occupations. Out of eight groups of important seasonal occupations, six proved slack in winter. Nearly half the workers within the insurance scheme have been found more subject to unemployment in winter than in summer. Obviously the widely held belief that seasonal fluctuations in various industries are sufficiently complementary to lend themselves to "dovetailing" on a large scale has not found support in the facts in Britain.²⁶

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certed, large-scale remedies can avail against them. It is from this angle that much of the criticism directed against the recent Conservative government for its unemployment policies is aimed. Not only did that 5-year government, its critics charged, fail to sponsor measures of fundamental industrial reorganization in coal and other hard-hit industries, but it also failed to utilize possible mechanisms of regularization to as full a degree as possible. For instance, such critics continued, a long-range program of necessary slum clearance, road building, electrification, dock improvements, waterway improvements, and similar public works would do much to absorb the unemployed and help stimulate long-stagnant industries. Certainly such measures would seem to be a primary concern of state unemployment insurance; the British scheme has yet to experiment with them on a large scale.

The effect of unemployment benefit upon its recipients is, of course, an intangible matter. Does it pauperize those who obtain it? Does it promote malingering and fraud? British experience appears to return negative answers to such queries.

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Pauperization, of course, is a difficult thing to measure. Implying generally an undermining of the will to work—and specifically a preference for benefits over employment—it is obviously difficult to determine its progress among millions of workers during times when jobs are very scarce. But certainly the details of the insurance scheme provide, as we have seen, extensive safeguards. The attitude of the workers, moreover, is entirely self-respecting. They have taken repeated occasion to emphasize that unemployment insurance, like any other form of insurance, represents a monetary benefit given in return for regularly paid premiums. They have consistently demanded its sharp separation from poor relief. Trade unions have been among the staunchest advocates of making the prevention and reduction of unemployment the first task of the scheme.²⁷

The rates of benefit offer little inducement for loafing as the weekly maximum is roundly \$4.25 (17 shillings) to an idle man, \$1.75 (7 shillings) for one adult dependent, and 50 cents (2 shillings) for each minor dependent. Investigations of the Ministry of Labor have revealed that slightly under one-half of the claimants draw dependents' benefit. An idle man receiv-

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ing benefit for himself, wife, and two children—more than the typical benefit—would draw each week about \$7.00 (28 shillings). When we recall that the average wages of a skilled man in the export trades is about \$14.50 and in the home industries about \$18.75, while laborers average, respectively, \$11.25 and \$12.50, we see at once that unemployment benefits are seldom more than 62 per cent of wages, even when family supplements are added.*

The fact that the men and women actually unemployed are constantly changing also reduces the hazard of pauperization. The impression prevailing in this country and England that there is a standing army of one million persons in Britain who are wholly unemployed is quite wrong. In 1928, for example, although the average number of persons on the register of employment exchanges was about 1,230,000, only a small proportion of this total consisted of the same individuals throughout the year. The total number of separate indi-

* Incidentally, the flat rate has been criticized. For both skilled and unskilled, regardless of difference in training, customary wage, normal living standards must adapt themselves to the same unemployed benefit. It has consequently been urged that some way be found, as in Germany, to make both contributions and benefits proportional to wages.

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viduals on the register at some time or other during 1928 was about $4\frac{1}{2}$ millions. Further, the number registered at any one day includes short-time workers; persons temporarily stopped for one reason or another but who expect to return to their usual employment within a period of six weeks; casual workers, such as dockers who are working two or three days a week and claiming benefit for the other days; juveniles under 18, who having left school are awaiting absorption into industry; and workers in seasonable trades like building, public works contracting, millinery and dressmaking. Another point to bring out in this discussion is that for a period of $2\frac{1}{2}$ years from October, 1923, to April, 1926—years that were by no means free from hindrances to industry, both internal and external—out of $11\frac{1}{2}$ workpeople insured under the Unemployment Insurance Acts, nearly 8 million drew no unemployment benefit at all. Throughout all that difficult time they were regularly, though not always continuously, employed.

Investigations conducted by the Ministry of Labor tend to show, moreover, that the mass of workers applying for unemployment insurance consist of steady, self-respecting wage-earners

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deprived of work by economic causes outside their own control. Three special investigations conducted in 1923, 1924, and 1927 sought to determine from representative samples of claimants for benefits (numbering in each case roundly 10,000 workers) what type of men and women sought benefit during any typical week. It was found that no less a total than 88.8 per cent in 1923, 86.8 per cent in 1924, and 88.4 per cent in 1927—the similarity in the figures is striking—represented workers who in normal times would enjoy regular or fairly regular employment. Under the regulations laid down in the law, no absolutely unemployable persons would be granted benefits at all. Only some 2 per cent of the applicants during these three years were classified as verging on the unemployable. In great part, moreover, these were comprised of old workers who would soon come under the Old Age Pension Act, and those suffering from poor health, poor physique, or some manifest physical defect.

There is no evidence to suspect any extensive attempt at fraud. On May 7, 1925, the Minister of Labor stated in the House of Commons that the average number of prosecutions for fraud under the scheme during the previous seven

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months had been at the rate of slightly over 2,000 per year.²⁹ When one considers that about 3,500,000 workers claim benefit during a year, this represents a percentage of suspected fraud of one-half of 1 per cent. A special investigation conducted from June to September of 1925 examined a sample of 192,480 claims made at seventy-eight offices. Only eighty-three instances of suspected fraud were found.³⁰

THE CONTINUING PROBLEM

But in the last analysis any estimate of unemployment insurance at the present time must conclude with a sympathetic appreciation of the ordeal by which it has been tested. The problem of unemployment which Britain has faced since 1920 has been truly gigantic, and given all the circumstances the insurance scheme has been administered with a high degree of efficiency. Responsible public bodies investigating various aspects of Britain's present situation—the Committee on Industry and Trade as well as the Unemployment Insurance Committee—have accorded it the tribute of high achievement during a period of great stress and trial.

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Unemployment insurance at best, however, must be mainly ameliorative; it can hardly hope to offer final solution to the underlying problems that have crippled British industrial life since the inception of the general insurance scheme—and that still remain before it. What Britain needs is jobs—jobs for over a million men and women. Fundamentally this demands a three-fold attack: first and foremost a drastic reorganization of industry, supported probably by government aid; for the “meanwhile,” the creation of jobs by large-scale public works and other relief and regulatory measures; and, continuously, provision of some sort for workers to whom industry at any time can offer no employment.

To speak contemptuously of the British “dole” (as Americans are sometimes apt to do), therefore, is to miss the true essence of the predicament in which the insurance scheme has been placed since 1920. Formulated, as any insurance scheme must be formulated, to provide against an actuarial risk, it has had to cope with an entirely abnormal and prolonged crisis. Even today, however much they may decry the principle of extended benefit, the administrators of the scheme have found themselves forced

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to continue in effect transitional provisions that relax the statutory requirements for the receipt of benefit. For as long as basic industries remain depressed it proves impossible for many workers to accumulate the necessary contributions for standard benefit.

Nor is extended benefit the only expedient that has been tried in the emergency. Administrators of the scheme have made some efforts to create jobs and to safeguard the labor market from possible immobilization. Whether the present government, which has been in office for five of the eight years of depression, has done all that could be done by bold relief measures is open to question.

It is only recently, however, that the nation as a whole has come to realize that the great depression may have its roots in fundamental dislocations and shifts in world markets which can be met only by fundamental reorganization. Consequently current discussions on unemployment all exhibit a new tone, and unemployment constitutes a major issue in the current political campaign. One of the most rounded and most practicable proposals for handling it has just come from the Mond-Turner Conference, which will be summarized in the following chapter.

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What makes its recommendations most significant is not only that they are removed from the exigencies of vote-getting but also that they are part and parcel of an attempt to formulate a program for the reconstruction of British industry as a whole.

CHAPTER VIII

The Mond-Turner Conference: A Challenge To Employers

BRITISH employers have it today within their power to set on foot an experiment in social change, profound and far-reaching in its possible effects. The Mond-Turner Conference has initiated an evolutionary process and method that offers not only Britain but the world at large an opportunity to discover how far social reconstruction can be peacefully and democratically controlled by man.

That method has already been accepted by the labor movement as well as a group of outstanding, powerful employers. How far it will receive industry-wide application in Britain now depends upon employers as a whole. So far the signs are not entirely reassuring. For the two official employers' associations have rejected the joint interim report of the Mond-Turner Conference; that rejection, however, has not, as we shall see, shut the door completely upon the type of cooperation suggested.

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Three other gigantic experiments in social control and economic reconstruction are under way in Europe at present, experiments on a scale undreamed of before in the history of mankind. Much has been written and said about post-war Russia and Italy and even Germany. But because of its less dramatic manifestations the world at large is as yet hardly aware of the profound revolution which may be set in motion in Great Britain.

FOUR GREAT EXPERIMENTS IN RECONSTRUCTION

In Russia, a dictatorship of intellectualist revolutionaries seeks to create an efficient communist state out of undeveloped industries and a vast peasant population. In Italy, a dictatorship of Fascists has renounced democracy and is trying to fashion an efficient, corporate industrial nation. In Germany a republican state, but the state nevertheless, attempts to regulate both by law and administrative agencies the conduct of industry so as to make it efficient and democratic at the same time.

In Britain the Mond-Turner Conference is offering devices for industrial reconstruction that are not rooted in the power of dictatorship

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or the state, but rather in voluntary group effort.

It remains to be seen, of course, what such a voluntary effort can accomplish. The Bolshevik, Fascist, and German ventures all derive great momentum from the force of law backed by the police power of a huge state. The Mond-Turner Conference in Britain has behind it only the vision and the will of the leadership of industry on the side of both management and men, stirred by the realization that a gigantic, cooperative effort is necessary for the restoration of a healthy economic life. There are already signs that these things alone may not be enough.

BRITISH EXPERIMENT SIGNIFICANT FOR THE UNITED STATES

It must be immediately apparent why to us in America the outcome of the Mond-Turner venture is of central interest. Neither dictatorship nor government control is likely to be our path; rightly or wrongly, we, like Britain, are committed by our history and tradition to the democratic method under which individuals and groups are given free play to solve their prob-

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lems. It is to the Mond-Turner Conference, therefore, and its implications that we are limiting this discussion.

EVOLUTION OF INDUSTRIAL RELATIONS DURING NINETEENTH CENTURY

From this vantage-point in time certain definite trends can be observed in the development of British industry. Even if other things had remained equal, relations between employers and employes would have progressed to new goals and new methods. Just as in other countries, collective relationships in Great Britain attained a foothold only after bitter and protracted struggle. Recognition, the right to strike and pursue as combinations activities permitted to individuals were accorded trade unions only in the course of a comparatively slow development. But accorded they were, and the present day sees Britain organized for joint dealing upon a well-defined general pattern. What that pattern is we have already seen. Employers and employes, organized into respective associations, jointly establish wages, hours, and working conditions by means of national agreements interpreted and enforced, without gov-

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ernment control or coercion, within each industry.

Basically this pattern comprises the familiar model of collective bargaining developed everywhere as a by-product of the world forces that concentrated masses of men in factories, mines, and mills, and pitted their economic weakness against the strategic power of owner-employers. But, though collective relationships received greater acceptance and elaboration in Britain than perhaps in any other country, the functions generally reserved for them were visualized in the accepted tradition. They were to be concerned exclusively with the "wage-bargain"—rates of pay, hours, and working conditions. Employers guarded jealously against intrusion in the domain usually labeled "managerial functions." In a very real sense, of course, joint determination of such matters as methods of wage-payment, hours, discharges, demarcation of work, machine-tending, all enter into and necessarily affect management. But, broadly speaking, both sides recognized a boundary line. Final decision in the shop, the control and planning of production, distribution and finance, inhered exclusively in management.

Certainly this has been and probably still is

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the majority viewpoint of employers. It has not gone, of course, without challenge. The war saw a sharp intensification of the demand for workers' control. This demand had at the time no exact substance; the workers could have given it no generally agreed upon, immediately practicable content. But upon the principle they were often menacingly insistent. And as late as 1922, when the business recession had set in, the powerful Engineering Employers' Federation apparently thought it worth while to fight out the issue so that "bogey" of workers' control would be laid for good.¹

Yet there seems every reason to believe that in practice the workers themselves accepted the time-honored division of function. True, the officials of the Trades Union Congress could say to the delegates assembled at the recent convention in Swansea when referring to the Mond-Turner Conference: ". . . for the first time in our history the representatives of organized labor have been invited to meet a group of important industrialists to discuss the finance and management of industry; new developments in technology and organization; the organization of industry itself, nationally and internationally; means for assuring the status and

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security of the workers and methods of achieving the highest possible standard of living for all. . . . These are the things the trade union movement has been claiming for years to have some voice in, but for years that right has been denied." * But until very recently such demands for participation in management did not arise from any concern with efficiency, but rather as a battle-cry in the fight to wrest from employers as big a share of the spoils of industry as possible.

Certainly few workers indeed would have agreed to the recently enunciated conviction that "the ultimate policy of the [labor] movement can find more use for an efficient industry than for a derelict one. . . ." * What concern have workers, they would have asked, with efficiency—that cherished aim of scientific management—with bolstering up the capitalist system. They visualized the workers' *rôle* in far more dramatic symbols: in waiting for the inevitable collapse of capitalism from its own inner contradictions, in winning complete control of industry by political and industrial weapons, in obtaining in the interim as advantageous a wage bargain as possible. That is why one can always discern in the earlier demands for work-

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ers' control underlying notes of political radicalism rather than those of workshop co-operation. Indeed, progressive employers who sought to interest their workers in sharing responsibilities of management encountered frequently a reluctance to assume burdens beyond one's allotted job.

THE PRE-WAR ECONOMIC SUPREMACY OF BRITAIN

It is not hard to understand how and why the union program of fighting for an ever larger share of the industrial product received a primary and almost exclusive emphasis. Britain was the first country to exhibit on a large scale the economic expansion and accumulation of wealth characteristic of modern capitalism. Through a combination of political policy and natural advantages, and because the industrial revolution took first root there, she rapidly became during the nineteenth century the workshop of the world. Building a great empire, furnishing a quarter of total world trade, amassing vast fortunes, centering international finance in London, controlling the

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seas, Britain prospered during the golden age of Victoria as no other people had ever before.

THE FIGHT FOR THE PROCEEDS OF INDUSTRY

The economic saga of industrial Britain was sung far and wide. British workmen heard the pæans of praise and even shared in the national pride. But they very naturally wanted to share, too, in the material harvests. Yet the first years of the industrial revolution brought them only exploitation and suffering seemingly fastened on them irrevocably by the "iron law of wages." As they slowly achieved organization, it was but to be expected that they should concentrate upon winning for themselves more wages, shorter hours, and better conditions. When the new industrial world assumed its modern contour, the workers were found pre-occupied with the task of winning and exercising the right to seek collectively an ever larger share of the expanding proceeds of industry.

The task proved arduous, slow, at times dramatic. The union movement steadily grew; strikes and lockouts were fought; legal status was won step by step; the unskilled and semi-skilled added their organizations to the older

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unions of craftsmen; the Labor Party was launched; employers slowly came to recognize unions and accept them as the representatives of the workers.

THE BEGINNING OF BRITAIN'S DECLINE

But as industrial relations evolved into their present organized and firmly-rooted framework, the economic setting from which they drew their dominant purpose was changing. As the nineteenth century drew to a close Britain still gave all the outward signs of a prosperous, expanding economy; it still appeared eminently right and logical for employers and employes to concentrate upon dividing the spoils. But Germany already loomed on the industrial horizon as a formidable rival; the United States was making rapid headway to a place of leadership; Japan was trying her strength; and elsewhere the customers of the workshop of the world were beginning to foster home industries; trade rivals were looming everywhere on the industrial horizon. The world of industry and commerce was slowly but surely changing and shifting.

In response to this growing competitive pressure, British industrialists began to give more

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attention to increased efficiency. Yet the very head-start that Britain had obtained in industry because of the earlier advent of the industrial revolution now became a handicap. Her business men, generally conservative and conscious of Britain's long economic supremacy, seemed unaware that Germany and the United States were, with their newer organization, surpassing them in business and industrial technique. Today you will find widespread agreement—and evidence—that Britain has lagged in electrification, industrial combination, scientific management, and mass production.

OVER-DEVELOPMENT OF INDUSTRY DURING WAR

The war and its consequences made it impossible to rest any longer on past economic ascendancy. Yet its immediate effects served in reality to obscure the underlying shifts in world markets. For the war stimulated production in Britain's basic industries—in coal, iron and steel, the metal trades, shipbuilding, and textiles. Capital and labor flowed into mines and mills, creating an over-development of the very industries for the products of which

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world factors were presaging a relative decrease in demand.

Thus when the war boom collapsed at the end of 1920 Britain was confronted with a new economic world, in which her own basic industries—over-developed, over-capitalized and frequently badly managed—had to compete with a powerful and strident America, and a multiplicity of large and small European nations, all erecting tariff barriers in the mad effort to become self-sufficient.

THE DÉBÂCLE AFTER THE WAR

It is not surprising that the British people, bewildered by the great débâcle, found consolation in their characteristic psychology of drift. Men could believe that all would be well again when, and if, these "temporary" manifestations of a war-troubled world had subsided. Why talk of fundamental changes and reorganization when Britain, long in the lead, could reassume her leadership as soon as nations recovered from the passing madness of post-war years?

But the daily needs of depressed industries had to be heeded before long. What, as we can reconstruct it now, was the temper with which

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employers and labor leaders could proceed to handle these problems through the established machinery of industrial relations? At the outbreak of the war this machinery, as we saw, was dedicated predominantly to the negotiation of the wage bargain. At the end of the war, however, new claims had at least been staked for collective dealings. The importance of increasing industrial efficiency had been enunciated—and accepted—by the joint industrial, or Whitley, councils.

But these councils proved premature for the promotion of such ends. It is hard to guess, of course, what might have happened if their introduction had not coincided so closely with the beginning of the depression. Proposals for cooperation naturally failed to interest employers beset by sudden economic stagnation. They wanted lower production costs in the quickest possible time, and turned inevitably to the familiar and time-honored device of decreasing wages.

RESUMPTION OF MILITANCY IN INDUSTRY

And so for six years employers and employes reenacted the formula of collective dealings that

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had emerged from the era of economic expansion. Strikes and lockouts followed one upon the other as employers demanded decreases and workers resisted; as workers sought to recoup losses and employers resisted. The miners were generally regarded as the spear-head of the workers' movement; economic strategy was supplemented by broad programs of nationalization, reconstruction through political action, and a general demand for workers' control.

THE GENERAL STRIKE A TURNING-POINT

How widely the workers thought in terms of a show-down was revealed, as already noted, by the readiness with which millions of them walked out in the general strike. That stupendous gesture of protest became, however, an unexpected turning-point. Unexpected because outside of the Trade Disputes and Trade Unions Act, it yielded not one obvious result. By all usual tests the workers lost the strike. In some countries such a frustration of unloosed mass emotions might have produced sabotage and guerilla warfare. In others the employers might have made labor's defeat the occasion to

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break the strength of trade unions and render them ineffective for years to come.

The general strike produced neither result. Instead it marked the beginning of a renewed endeavor to recast collective relationships in the mold which the framers of the joint industrial councils had sketched out—to extend their functions for the good of all Britain, beyond the negotiation of the wage bargain to include the whole range of problems involved in efficient production. Surely an unusual conclusion to a great industrial conflict, and a tribute to the good judgment and sportsmanship of the British people.

THE AWAKENING TO FUNDAMENTALS

By this time, too, Britain as a whole began to realize that something fundamental was wrong. For six years the people had tried to believe that lost markets would be regained and prosperity reestablished if only they waited and let things take their usual course. But as demoralized currencies were stabilized and comparative political stability restored, Britain's former customers continued to build tariff walls, to use substitutes for coal, and to bid for avail-

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able world trade. And so the post-war world moved to a certain economic equilibrium, *and* the depression continued. Inevitably attention was drawn, however slowly and reluctantly, to the possibility that things might not right themselves, that Britain's ills might proceed from deep-seated causes which called for new adjustments and radical reconstruction.

Striking corroboration of this new public mood—and food for it—came in the presentation by at least two of the three political parties (Liberal and Labor) of what might be called manifestoes on the reconstruction of industry. In each case explicit recognition was given to the fact that the stagnation of the export industries was symptomatic of the fundamental economic transition through which Britain was passing. Instead of seeking the roots of the long depression solely in the chaos of the post-war world, they recognized its origins in the reallocation of economic forces throughout the world. The specific programs suggested in each case varied in detail with the general philosophic outlook of the group concerned. But significantly enough they agreed upon the necessity for making British industry more efficient.

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BRITAIN'S PRESENT SOBER MOOD

Today in Britain will be found, consequently, neither the fevered abnormality of war conditions nor the stunned confusion of sudden economic collapse; neither workers grasping for an undefined workers' control nor employers glad of an opportunity to show labor "its place." Here, in short, is a nation becoming soberly convinced that the economic bases of its life must be reorganized. Here are workers taking stock of old philosophies, accepting the fact that capitalism is not slated for immediate collapse, and demanding participation in the necessary reconstruction of industry. Here are some employers insisting that industrial reorganization should and must be undertaken with the cooperation of the organized workers.

It is against this background that the Mond-Turner Conference has been carried on. When the joint industrial or Whitley Councils were proposed, the nation watched eagerly their promise of that "industrial democracy" which men everywhere were seeking, until the depression engulfed democratic preoccupations with much else born out of the war. But as the British newspapers report fully the proceedings

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of the Mond-Turner Conference, it is more than idealism that motivates public interest. It is the hope that at last some way out may be found; that employers and employes together may rescue industry. The successful extension of collective dealings has become bound up, indeed, with the very fate of the nation.

PRELUDE TO THE MOND-TURNER CONFERENCE

The suggestion of such conferences between employers and employed was first broached at the annual convention of the Trades Union Congress held at Edinburgh in September, 1927. The occasion could not have been more remarkable. For some five months labor leaders had been making the country resound with angry and resentful protests against the Trade Disputes and Trade Unions Act. Their articulate mood had seemed to presage conflict rather than cooperation.

The delegates naturally echoed their leaders' resentment. They applauded when Premier Baldwin's overtures for "industrial peace" were repudiated. But at the same time they listened as George Hicks, then president of the Congress, sounded the keynote of a radical depar-

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ture in trade union policy through what was essentially an offer of cooperation to increase industrial efficiency.

A RADICAL DEPARTURE IN TRADE UNION POLICY

His words may be regarded as the inauguration of a momentous change of front in union strategy: "Our trade unions have not yet reached the limit of their development. Rather I would say that we are just at the beginning of the constructive period of trade unionism. . . . Practically nothing has yet been done to establish effective machinery of joint conference between the representative organizations entitled to speak for industry as a whole. . . . Such a direct exchange of practical views between representatives of the great organized bodies who have responsibility for the conduct of industry and know its problems at first hand would be of far greater significance than the suggestion which has been made in certain quarters for a spectacular national conference under government or other auspices to discuss a vague aspiration toward 'industrial peace.' Discussion on these lines would bring both sides face to face with the hard realities of the present eco-

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conomic situation, and might yield useful results in showing how far and upon what terms co-operation is possible in a common endeavor to improve the efficiency of industry and to raise the workers' standard of life. It is important that our movement should frame a clear-cut and coherent policy on practical lines. . . . We should not be deterred by allegations that in entering into such discussions we are surrendering some essential principle of trade unionism." 4

RESPONSE OF EMPLOYERS

For over a month the organized employers gave no indication of their attitude toward this proposal. Then the National Confederation of Employers' Organizations issued a statement declaring that the aims suggested by the Congress could be best achieved through the collective machinery already existing within individual industries. Shortly afterward, in a separate statement, the Engineering Employers' Federation reaffirmed this view by declaring that the problems of industry could be best handled by conferences in the workshop and through present machinery.

But these statements did not write finale to

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labor's overture. For on November 23, 1927, Lord Melchett (then Sir Alfred Mond) and twenty other prominent industrialists addressed an invitation for a conference to the General Council of the Trades Union Congress. Subsequently three other employers added their signatures.* A more important and influential group of men probably could not be found in Britain. They represent directorships in 189 companies. They include ninety-eight chairmen of these companies; two past presidents, six vice-presidents, and three members of the executive board of the Federation of British Industries, a chairman and past chairman of the National Confederation of Employers' Organizations; two past chairmen of the Iron and Steel Manufacturers' Association; the chairman of the Chemical Employers' Federation, the chairman of the Flour Milling Employers' Federation and the president of the Association of Chambers of Commerce.⁵

* The employers' group included, in addition to Lord Melchett, Lord Aberconway, Sir Herbert Austin, Bernhard Baron, Henry Bond, Lord Colwyn, David Davies, Sir Arthur Dorman, Sir Robert Hatfield, Sir Hugo Hirst, Dr. A. E. Humphries, Kenneth Lee, Lord Londonderry, Sir Edward Manville, M. Mannaberg, Sir David Milne-Watson, Sir Frederick Mills, Sir W. Peter Rylands, Sir Josiah C. Stamp, Lord Weir, Hon. F. Vernon Willey, Lord Ashfield, S. Courtauld, and C. C. Vyle.

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ORGANIZATION OF THE CONFERENCE

These employers explained their invitation by the fact that there appeared "to be no single existing organization of employers which can take the initiative in inviting discussion to cover the entire field of industrial reorganization and industrial relations. . . ." Accordingly, as "a representative group of employers" they were inviting the General Council of the Trades Union Congress to meet with them to formulate "definite and concrete proposals applicable to and to be determined in detail by the various industries concerned." They realized, they said, that the urgent tasks of "industrial reconstruction can be undertaken only in conjunction with, and with the cooperation of, those entitled and empowered to speak for organized labour." Finally, they believed that industrial prosperity and improvements in the standard of living could be best achieved by direct negotiation, based on full and frank recognition of facts and a determination to increase Britain's competitive power in world markets.^o

One month later, on December 20th, after thorough discussion, the General Council of the

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Trades Union Congress decided to accept the employers' invitation.

SCOPE AND AUTHORITY OF CONFERENCE

The first full joint conference assembled on January 2, 1928. There each side made clear its conception of the scope and authority of the Conference. At the conclusion of the discussions it was agreed that: (1) the problems of reorganization now confronting British industry demanded for their solution the cooperation of organized employers and organized workers; (2) the employers had issued their invitation as individuals in the absence of any organization empowered to take such action; (3) the General Council was in no way more bound or committed than they were; (4) while the participating employers obviously could not impose any principles upon employers generally, they could and would use their influence to get them adopted; (5) each side entered the conferences "without prejudice" and without surrendering principles held to be fundamental; (6) there would be no trespassing upon the functions of organization of workers and employers within individual industries; (7) no subject whatso-

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ever would be excluded from the discussions of the Conference.

At a special session held twelve days later, January 24th, the General Council agreed after full debate to continue the discussions and appointed a sub-committee of nine members to deal with the corresponding sub-committee from the employers' group in working out the details of the Conference.*

Thus the Mond-Turner Conference was launched and organized one year and a half ago. Regarded primarily as an investigating body—a large-scale effort in joint research—the Conference has prepared an exhaustive agenda and a number of items have already been taken up even within the short period thus far available.

* The members of the sub-committee of the General Council comprised Messrs. Ben Turner (chairman of the General Council), Ernest Bevin, Walter M. Citrine, (secretary of the General Council), J. H. Thomas, M. P., Arthur Pugh, Tom Richards, Will Thorne, M. P. The sub-committee appointed by the Representative Group of Employers was composed of Lord Melchett, Lord Ashfield, Lord Londonderry, Sir Hugo Hirst, Sir David Milne-Watson, Lord Weir, Colonel the Hon. Vernon Willey. The secretarial and research work for the labor group has been under the direction of Walter Milne-Bailey, head of the Research Department of the Trades Union Congress; for the employers' group, under the direction of J. Conway Davies. At the Swansea Congress of the Trades Union Congress, Ben Tillett became chairman of the General Council, and thus leader of labor's representatives in the Conference for 1929-1930.

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AGENDA OF CONFERENCE

The agenda reveals an ambitious and far-reaching purpose. Eight major subjects are listed for investigation and discussion: (1) organization of industrial relations, (2) unemployment, (3) the distribution of the proceeds of commodities and services, (4) the organization, technique and control of industry, (5) finance, (6) constitutional machinery for continuous conference, (7) international, and (8) miscellaneous. Under these broad heads have been itemized subjects of vital concern. Thus the "organization of industrial relations" embraces such matters as how to provide increased security and status for wage-earners, the avoidance of disputes, introduction of works councils, establishment of machinery for continuous fact-finding as well as for suggestions and criticism. Under "distribution" are included such subjects as high-wages policy, profit-sharing, piecework, and minimum wages. Under the "organization, technique, and control of industry" comes scientific management—or rather rationalization—in all of its related aspects. Such subjects of fundamental general concern as fiscal policies, banking and credit, taxation, international com-

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petition, health, housing, education, and research, all figure on the agenda.

But even this comprehensive program is not presented as necessarily a finished thing. Its formulators do not regard it as "complete or conclusive." They intend, moreover, to give permanence, if possible, to these methods of joint consultation. For included on the agenda is the question of providing constitutional machinery for continuous discussion. The creation of a national industrial council has already been suggested to coordinate and supplement existing machinery for continuous investigation into industrial conditions.⁷

PROGRESS TO DATE

Obviously the very agreement upon such a program for joint discussion indicates a momentous step in the evolution of collective relationships. If employers and employes can be brought together on a voluntary basis in some permanent standing committee to hammer out a comprehensive plan for organization, control and management of industry, relationships within it, and community problems arising out

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of it, a significant experiment in social change may be launched.

There has been no intention to take up the items on the agenda in any special order. At the present writing seven statements of policy have been announced, three dealing with industrial relationships, one with finance, another with organization of industry, still another, with the constitution of a permanent body for joint consultation, and the most recent, with unemployment.

RESTATEMENT OF POLICY REGARDING TRADE UNIONISM

At the request of labor the first consideration was devoted to formulating a statement on "trade union recognition." The practice of collective dealing which has grown up in Great Britain was indorsed. Its extension was forecast when both sides, in the very opening sentence of their statement "agreed that the two main aspects of trade union recognition are (a) recognition on questions of general policy and fundamental principles affecting industry as a whole, and (b) recognition on matters affecting individual industries." The conference

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further "recognized that the Trades Union Congress representing as it does the affiliated trade unions is the most effective organization," and the only body possessing the authority to speak for the workers on all questions pertaining to industry.

To make sure that the policy as above stated would be more than a pious wish the conference adopted a strong resolution against "discrimination" or "victimization." Victimization for membership in an employers' association or trade union, the conference said, would go directly counter to any honest attempt at co-operation. More immediately, the inevitable friction and irritation produced by discrimination would interfere with the all-essential progress toward industrial reconstruction and a revival of prosperity. Consequently, employers were urged to "clear the decks" by restoring to jobs such workmen as were still refused re-employment for participation in the general strike. As a permanent safeguard, the creation of appeal machinery was suggested for the investigation and review of any instance "where a prima facie case is established that a workman has been dismissed or otherwise penalized . . ." for activity in trade union affairs.*

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SUPPLEMENTARY MACHINERY FOR IMPROVEMENT OF INDUSTRIAL RELATIONS

To provide for the extensions in scope sought for collective relationships, as well as their constructive improvement, the conference sketched out two types of machinery: (1) a national industrial council for handling industry-wide or inter-industry problems of organization and relationships; (2) a system of joint conciliation boards to avoid the "outbreak of disputes which have failed to be settled by the ordinary negotiating machinery in the industries concerned." *

The National Industrial Council is to be constituted of an equal number of representatives of workers and employers. The workers are to be represented by the General Council of the Trades Union Congress; the employers, by an equal number of men nominated by the Federation of British Industries and the National Confederation of Employers' Organizations. Three main functions are ascribed to the suggested council: (1) to hold regular quarterly meetings "for general consultation on the widest questions concerning industry and industrial progress"; (2) to provide through a standing joint committee for the appointment of joint

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conciliation boards; (3) to establish and direct machinery for continuous joint research.

The joint conciliation boards would not seek, as would the National Industrial Council, new functions for industrial relations, but would attempt to supplement and render more successful the machinery already existing within individual industries for the prevention of disputes. The Conference prefaced its suggestions on this score with an explicit and warm recognition of the success in avoiding conflicts achieved by methods already in practice. Nevertheless, its members said, they could not blink the fact that, despite this machinery, industry had been wracked in recent years by "certain disputes of a serious magnitude." Consequently they proposed the conciliation boards as a supplementary method to be invoked when other machinery had failed in the hope that they would prove more potent because they would have the sanction and moral backing of industry as a whole.

Three principles which have attained almost axiomatic force in Britain have guided the Conference in suggesting these conciliation boards: nothing shall be done to interfere with existing joint machinery; wherever possible that ma-

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chinery shall be strengthened; compulsion whether in the form of compulsory arbitration or investigation is completely rejected. The boards themselves are to be created and directed by a joint standing committee of twenty members—ten employers and ten employes nominated, respectively, by their representatives on the National Industrial Council. While details of procedure and functions are delegated to this committee, the Conference lays down certain guiding principles for the boards. Their personnel is not to be permanent; representation of both sides shall be equal; time limits shall be set for the various stages of reference, hearing, and report; a board is to be created on application of either party to a dispute, but the standing committee may reject applications; all matters relative to a dispute may be brought into discussion; and it is recommended that no stoppage of work or alteration in conditions should take place until the report of the board has been submitted to the parties concerned.

RATIONALIZATION OF INDUSTRY

Perhaps the most significant and heartening of the statements thus far issued by the Con-

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ference is the one formulating its policy on the reorganization of industry. For without an agreement on the principles which must be followed to restore Britain to a sound economic life, the Mond-Turner Conference may as well not have been called into existence.

We need not concern ourselves here with an exact definition of the term "rationalization." In fact, it is doubtful whether it will receive a precise, authoritative, and generally agreed upon definition for some time to come. Only after the various processes attempted under its name have gone through the test of experience will it be possible to come to some understanding. As used at present in Europe, rationalization is a concept for the attempt to apply the scientific method to the conduct of industry in its broadest sense. As such it includes and goes beyond what we have been accustomed to call scientific management in this country. For the latter is as yet hardly more than a scientific technique for workshop practice. That essentially was Frederick W. Taylor's contribution, since elaborated and modified by his disciples. To be sure there is already considerable discussion of applying the scientific method to the function of distribution. But it is still in the

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discussion stage. And as for matters which are industry-wide, market-wide or international in their ramification, we in this country can hardly be said to have arrived as yet even at the discussion stage.

Rationalization is all inclusive. It is the attempt to create the highest degree of efficiency in any given industry as a unit, rather than as a number of individual establishments, in terms of the market of that industry. It will always involve the installation of most modern equipment, processes and techniques in individual plants; it may mean the closing down of certain establishments, the combination of others, the standardization and simplification of product, the allotment of production quotas to each unit—in a word, whatever is needed to make the industry as a whole most efficient in world markets. That is the aim; the method must be one of science. Whatever is done must be in accordance with the facts as ascertained through the process of research.

If the reader will keep this definition in mind he will be in a better position to grasp the significance of British labor's voluntary agreement to rationalization, especially if he will recall that

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British labor has been dominated by a socialist ideology.

The statement on the subject issued by the Mond-Turner Conference opens with a clear-cut recognition of the tendency toward a rational organization of industry which includes standardization, elimination of waste, simplification, and the amalgamation of individual units into larger groups. Then both sides proceed to welcome and encourage this tendency "in so far as it leads to improvements in the efficiency of industrial production, services, and distributions, and to the raising of the standard of living of the people."

In addition to possible long-time effects of rationalization, the Conference recognized that certain immediate problems would have to be faced, such as the possible displacement of labor and modifications in work conditions. To minimize hardship to wage-earners and to insure necessary adaptability and elasticity it was suggested that provision should be made for continuous investigation and tests on an agreed experimental basis.¹⁰

This discussion of rationalization has, in our opinion, already justified the Mond-Turner Conference. It would have been al-

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most impossible to secure such an agreement on principles piecemeal by individual industries. It would have been exceedingly difficult for union officials negotiating for a particular group of workers to agree so readily, for instance, to a possible breaking up of skilled jobs into simple operations or any of the other elements which enter into scientific management. The fact that they were immediately responsible to their constituents who, after all, have a vested interest in their jobs, would have been a serious deterrent. But as representatives of labor as a whole, interested in securing a higher standard of living through a more efficient industry, the General Council of the Trades Union Congress could proceed freely to a consideration of the steps necessary for the improvement of industrial technique.

PROPOSALS ON UNEMPLOYMENT

This emphasis on rationalization constitutes the cornerstone also of the most recent report,²¹ adopted on March 12, 1929, which seeks "to find some way out of the present morass of depression and unemployment." It sees that way chiefly in a rationalization of British in-

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dustry. But recognizing that such a process will take considerable time, the Conference devotes first attention to "special measures for immediate adoption."

Remedies must naturally be related to underlying causes, two already operating, and a third on the horizon. These are (1) the basic factor of the business cycle with its alternating periods of activity and depression; (2) changes in world markets following upon the war, some temporary, others due to some extent to the war itself, most of them inevitable in any case, all of them heightened by the failure on the part of many British industries to modernize themselves for effective competition under new conditions; (3) the very process of rationalization itself.

The Conference does not slight the measures which have been brought to bear upon the problem since 1921. But none of them have pretended "to approach a real solution of the problem of restoring industrial and commercial prosperity." Although about three times as much space is devoted to immediate practical steps and palliatives as to fundamental remedies, there is constant insistence that in the long run only the last can afford a permanent way

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out. But immediate relief is both imperative and possible. Measures must therefore be formulated to help tide over the period during which the more fundamental changes will be brought into operation.

These immediate measures fall into three categories: aids for depressed industries; relief during the present as well as possible future depressions; and reduction of the supply of labor. For the first, the Conference suggests that the government extend credit to the export industries so as to make available the capital essential to reorganization. Mining should be treated as a special case. Since certain mining areas are unable to provide employment for a large proportion of their population, the government should continue relief measures at an accelerated rate and at the same time establish a well organized scheme for transference to districts where there is a reasonable chance for jobs. For the second (relief against the depression) it recommends the creation of a development fund to finance extensive large-scale construction and public works, regulated and coordinated placement of government contracts, the formation of a Crown Colonies Development Committee to further industrial develop-

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ment in the colonies and the placing of orders for required plant in Britain, reasonable extensions of export credits and improved trade relations with Russia. For the third, (reduction of the labor supply) the Conference advocates an adequate pension system that will assure the retirement of workers at 65, raising of the school-leaving age from 14 to 15, and an extensive long-time emigration program financed out of a loan fund rather than revenue and coordinated by a Joint Committee for the British Commonwealth.

But by none of these measures can Britain "permanently improve its industrial position or raise substantially the standard of living of its population." For that rationalization in its widest sense is imperative. To ease the process of readjustment and keep the hardships of possible displacements within as small a compass as possible, various safeguards are suggested. Management should proceed with its program of reorganizing industry only in continuous consultation with trade unions, changes should become operative at a rate calculated to produce as slight disturbances as possible and should carry with them protective devices for the workers.

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As a provision for normal times the Conference recommends that all firms, or where possible each industry, should set up labor reserve funds out of profits for the purpose of assisting displaced workers. Such funds should be invested outside the business and administered by independent trustees. Finally in so far as the present depression is related to monetary policy, the Conference reiterated an earlier demand for a full inquiry.

A PROBLEM IN FISCAL POLICY

This demand arose when the regular work of the Conference was once interrupted by an emergency situation arising out of the government's plan to take an important step with regard to gold reserve and credit policy in connection with a forthcoming amalgamation of Treasury and Bank of England note issues. To prevent any decision that might run counter to the interests of industry a committee of the Conference drew up a memorandum on "The Gold Reserve and Its Relations with Industry," which was submitted to the Chancellor of the Exchequer.

In effect the Conference urged that a full

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inquiry should be held into credit policy before the government took any decisive steps. It pointed to the effects of the automatic application of the gold standard customary before the war upon business fluctuations, and the urgent need of business at present for elasticity of currency and credit. The government has not as yet undertaken such an inquiry; but the Banknotes and Currency Act enacted in 1928, while not completely satisfactory to industry, does include a provision by which the Bank of England is not as restricted in its credit policy by gold reserves as was formerly the case. The episode was an interesting instance of the wide scope with the Conference accepts for its activities on behalf of industry.¹²

MINORITY OPPOSITION WITHIN LABOR MOVEMENT

Opposition to the whole Conference and the ideas underlying it developed early, but strangely enough more strongly among the employers than among the workers. On the union side opposition centered in a small minority of labor leaders and the unofficial minority movement. But it was the two official central

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organizations of employers, as we shall see, that rejected the joint interim report of the Mond-Turner Conference. The Conference discussions, however, did not clearly reflect this situation. For though the group of employers admittedly spoke only for themselves, at the Conference table at least they could present a comparatively unified opinion. They openly stated they could not assure that employers as a whole would accept the decisions of the Conference; nevertheless, they said, they were men of influence and they would exert their best efforts toward that desired end. On the labor side the position was different. It was a novel departure in policy—this cooperating with employers on improving the efficiency of industry—and voices even within the General Council were now and again raised against it.

From the first meeting, Arthur J. Cook, representing the miners on the council, but speaking only for himself, had denounced and dissociated himself from the effort. The Amalgamated Engineering Union, as early as December 22, 1927, had officially questioned the constitutional power of the General Council to enter into such conferences with a group of employers. Opposition was sharpened when later

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Lord Melchett gave an interview in Rome, in which he was alleged to have praised the Fascist régime. Indeed, the General Council had to consider a formal motion to discontinue the Conference on this ground. In response to a direct inquiry by the General Council, Lord Melchett repudiated newspaper accounts and translations of "an abridged and entirely incorrect version of a lengthy interview given to a Rome paper." But at the same time he affirmed the right of all conferees to full and free expression of their political views. The motion to abandon the Conference was then defeated in the General Council by a large majority."

But the opposition continued and appealed to the rank and file up and down the country from the platform and in the press.

Consequently, when the Trades Union Congress assembled in Swansea for its annual convention in September, 1928, the country as a whole, as well as the trade union world, waited expectantly for the momentous debates on the "Industrial Conference Report." Labor itself, as well as the public, sensed that it might be on the threshold of a new era in collective relationships. So courageous and statesman-like was the position taken by the labor officials respon-

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sible for the Conference that it is worth while to summarize their arguments, however briefly.¹⁴

THE ISSUES BEFORE THE TRADES UNION CONGRESS

The General Council prefaced its statement with a review of the grave economic position in which Britain's basic industries found themselves. The consequences to the workers were obviously of greatest concern to trade unions, and compelled serious consideration in any proposals for improvements.

Broadly speaking, the Council went on, three policies are open to the labor movement. It might say frankly that the unions should do everything in their power to utilize the prevailing economic stagnation to insure the breakdown of the whole industrial machine, in the hope of creating a revolutionary situation which might be used to abolish capitalism. "That policy the trade union movement has decisively rejected as futile, certain to fail, and sure to lead to bloodshed and misery." It might, as a second possibility, say to employers, "Get on with your own job; we shall stand aside and fight section-

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ally for improvements." This it rejected as a futile confession of failure and inconsistent with long-standing demands for an altered status in industry. The third course open is to demand boldly a voice and influence in reconstruction predicated on an explicit concern "with the prosperity of industry." It was this course that the Council followed, choosing it for ultimate and immediate reasons. For the "ultimate policy of the labor movement can find more use for an efficient industry than for a derelict one," and the unions by active participation can seek so to steer scientific reorganization of industry as to protect the immediate interests of the workers and assure their share of material advantages.

The opposition based its case, in the main, on the Marxian conception of trade union action. All experience has shown, they insisted, that the workers are engaged in a continuous class conflict with employers. Even some of the men included among the employers' group in the Conference have figured in struggles designed to lower wages, lengthen hours, worsen conditions, and victimize men for union membership. Rationalization will bring the workers nothing but hardships. All that the employers want

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from the Conference is peaceful acceptance of wage decreases and disadvantageous changes in conditions. What can come from the Conference but resolutions such as that on the gold reserve which few workers understand? There is a class conflict on, in which power only is the final factor. Workers must seek "real control of industry for the whole working class."

OVERWHELMING ENDORSEMENT BY LABOR CONVENTION

The assembled delegates indorsed the report of the General Council, and its participation in the Conference by a vote of 3,075,000 against 566,000. Thus ended one of the most significant debates in the history of England. British labor had definitely entered upon a new epoch.

A CHALLENGE TO EMPLOYERS

Thus labor leaders have demonstrated both their sincerity in this huge cooperative venture and their ability to carry with them their rank and file. Will British employers rise to the opportunity now before them?

Only time will tell. It is already apparent,

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however, that employers will not accept the venture in the exact form in which the Conference outlined it. For in a letter sent to the Trades Union Congress General Council under date of February 13, 1929, the Federation of British Industries and the National Confederation of Employers' Organizations declared themselves unable to accept the report of the Conference and its proposal for a National Industrial Council. They tempered this rejection, however, by asking a conference with the General Council to examine the possibilities of useful consultation upon matters of common interest to British industry. They had been conscious throughout, they explained, of the importance of industrial peace, and they urged the General Council to consent to such meetings as they proposed, not only to hear their reasons for rejecting the National Industrial Council, but also "to help forward a better mutual understanding" in industry.

The General Council accepted this invitation. It was disappointed, of course, but not completely surprised. Even at the Swansea Congress, Council spokesmen had expressed doubt of the ability of the "Mond" group of employers to carry their organizations readily with them.

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Nevertheless labor has been too immersed in the formulation of these new policies to be willing to relinquish any opportunity of obtaining a trial for them. Tactically, too, it seemed wise to accept such an invitation, and to show to the public labor's willingness to examine what the employers have in mind.

The meeting between the two employers' organizations and the General Council was held on April 23, just as we went to press. Fortunately British employers have apparently glimpsed the unusual opportunity before them in labor's sympathetic attitude towards an essential reorganization of industry. Seventy-three delegates representing both sides were present and it was agreed to consider the appointment of a committee "to examine the best methods of attaining industrial peace."

Thus the unofficial Mond-Turner Conference promises to become an official conference participated in by representative employers' associations as well as by the Trades Union Congress; and there is a good chance that British employers may accept the spirit of the Mond-Turner proposals. If not the National Industrial Council, some other permanent machinery may eventually emerge from the discussion set

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in motion last year. Indeed it is hard to believe that all the public interest in the work of the Conference will go for naught, while the problems which gave rise to it—and the evolution in industrial relations underlying it—remain. Nevertheless any appraisal of the present situation must allow also for the eventuality of total rejection and failure.

In a word, then, labor is willing and the future, therefore, lies with those in control of British industry today. If British employers can throw off their habit of conservatism, quicken their vision, and develop a willingness to experiment, the world may witness a peaceful, orderly revolution of far-reaching consequences. If not, labor may swing to the left again.

For the attitude of British labor leaders, however convinced they may be of the soundness of the steps they are now taking, is predominantly experimental. They are willing to wait and see "what is in it for the workers." The general strike undoubtedly left the trade union movement considerably weakened. There was also a reaction from force. In no position to fight just at present, labor leaders are willing to try new policies. Moreover, they realize that long-

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fought, bitter strikes do not relieve the hardships of their people. Consequently, they are desperately seeking some other way out for their unemployed. They want to see Britain "back on its feet."

Should the employers as a whole, therefore, reject any form of actual cooperation such as labor has in mind, this complex of forces may be strong enough to make the unions willing to try it piece-meal—that is in those industries and plants where employers are willing to accept it. It was in such wise, after all, that labor won the right to collective bargaining; certainly the leaders have had their minds turned irrevocably to questions of participation in formulating industrial policy.

But there is also a very real danger that the labor movement may answer intransigence by adopting the "direct action" methods of radical opponents. For it must be remembered that an articulate minority leadership dominated by a left-wing, communistic philosophy, has vociferously protested. If the results of the Mond-Turner Conference are fully rejected, if employers continue their policies of drift, there is a strong possibility that this militant group may supplant the present sobered leadership

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and assume direction of the union movement. But even if they should not succeed in wresting leadership from the present officials, these present officials themselves may move to the left, egged on by the continuing suffering of the workers, and the knowledge that labor at least had shown its readiness to try another way. In either case conflict may then again become the order of the day with all its tragic consequences for British industry.

Such possibilities lie in a failure of the Conference. The promise of its success, on the other hand, is brilliant. For it may make possible a joint effort by employers and employes to effect an essential reorganization of industry in such a way as to create the greatest degree of efficiency with a minimum of the hardship consequent upon any large change in industrial technique. In other words, British employers have the opportunity for the first time in history to apply the scientific method to the management of industrial enterprise, both as a whole and in its individual units, with the cooperation of what is no doubt the strongest and most firmly entrenched labor movement in the world.

Beyond that lies even a greater challenge. Is

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it possible to reconstruct a broken-down economic fabric, such as prevails in Britain now, by means of a voluntary democratic effort; or can such a thoroughgoing program be carried out only by a dictatorship as in Italy or Russia, or at best by a strongly centralized state, as in Germany?

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⁸ Seymour, *op. cit.*, p. 176.

⁹ *Ministry of Labour Gazette*, November 1923.

¹⁰ Seymour, *op. cit.*, p. 176.

¹¹ Report of the Unemployment Insurance Committee, *op. cit.*, p. 18.

¹² Emmerson and Lascelles, *op. cit.*, p. 162.

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¹⁴ Report of the Unemployment Insurance Committee, *op. cit.*, pp. 14-15 and 67-69. Also Emmerson & Lascelles, *op. cit.*, pp. 68-73.

¹⁵ Report of the Unemployment Insurance Committee, *op. cit.*, p. 55.

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¹⁸ Cf., for instance, Report of Unemployment Insurance Committee, *op. cit.*, p. 46.

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Majesty's Stationery Office, 1923, p. 13. Quoted by Seymour, op. cit., p. 252.

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²³ E. G., Ministry of Labour: U. I. 80. (1927).

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²⁵ (a) Ministry of Labour: U. I. 85 (Revised); (b) U. I. 86.

²⁶ Seymour, op. cit., pp. 112-113.

²⁷ Cf. Statement of the Trades Union Congress General Council to the Unemployment Insurance Committee.

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¹⁴ Ibid., Part III, Swansea Congress Debate, pp. 27-72.

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