

# PROBLEMS OF COLLECTIVE BARGAINING

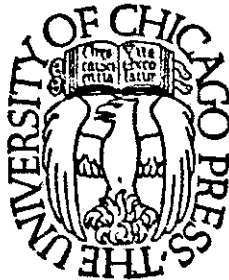
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*Edited by*

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*Associate Professor of Industrial Relations  
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**THE SCHOOL OF BUSINESS**  
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**STUDIES IN BUSINESS ADMINISTRATION**

*Volume VIII • Number 2*

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PROCEEDINGS OF  
THE FOURTH MIDWEST CONFERENCE  
ON INDUSTRIAL RELATIONS

HELD AT  
THE UNIVERSITY OF CHICAGO, OCTOBER 12, 1937, BY THE  
INDUSTRIAL RELATIONS ASSOCIATION OF CHICAGO  
AND THE SCHOOL OF BUSINESS OF THE  
UNIVERSITY OF CHICAGO

---

EDITED BY  
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## PREFACE

**W**ITH the advent, more than one hundred and fifty years ago, of capitalistic methods of production, and a free contract system of business enterprise, the general outlines of modern problems of industrial relations began to take form. The problems have changed in respect to significant matters of detail, but in broad outline their nature was determined by the form of economic organization that has been in process of development for more than a century and a half.

Industrial relations problems are complex, and clear understanding is made more difficult by a confusion of prejudices and prepossessions with attempts at rational analysis.

To facilitate analysis and understanding, the Industrial Relations Association of Chicago and the School of Business of the University of Chicago conduct an annual conference on industrial relations problems.

Those participating in this, the fourth, conference felt that the exchanges of viewpoint and experience helped to widen the individual horizon and sharpen the perspective on industrial relations problems. In the belief that these discussions may be of general interest and value they are published as a part of the School of Business series "Studies in Business Administration."

W. H. SPENCER

*Dean of the School of Business*



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## GOVERNMENT POLICY WITH RESPECT TO ORGANIZATION AND COLLECTIVE BARGAINING

CHARLES FAHY

**T**HE policy of the government of the United States with respect to organization and collective bargaining on the part of employees is now, of course, most concisely and effectively set forth in the National Labor Relations Act. The heart and substance of that statute is section 7, which is very brief and as follows:

Employees shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities for the purpose of collective bargaining or other mutual aid or protection.

That is the heart of the statute. But this policy set forth in those words, which seems currently to have aroused so much public interest, is a development of some fifty years of experience and experiment, which led inevitably I think, to the embodiment of these principles in statutory form. It is interesting now, in reviewing the long history of organization of employees and collective bargaining by them, to recall that in 1894 in the city of Chicago there was a great strike and that a commission of the government which investigated that strike reported upon it in part as follows. I will not mention the name of the company.

The company is hostile to the idea of conferring with organized labor in the settlement of differences arising between it and its employees.

Since the strike, withdrawal from the American Railway Union is required from those seeking work. The company does not recognize that labor organizations have any place or necessity in (it), where the company fixes wages and rents, and refuses to treat with labor organizations. The laborer can work or quit on the terms offered; that is the limit of his rights. To join a labor organization in order to secure the protection of union against wrongs, real or imaginary, is overstepping the limit and arouses hostility. This posi-

tion secures all the advantage of the concentration of capital, ability, power, and control for the company in its labor dealings, and deprives the employees of any such advantage or protection as a labor union might afford.

After stating that policy of the company, the report of the commission concluded: "In this respect the company is behind the age."

That was in 1894. If so long ago this powerful company was behind the age with respect to such matters, what is to be said now of those employers who still adopt the die-hard attitude of opposition to the principles set forth in the National Labor Relations Act, because the principles of collective bargaining were the same in 1894 as they are now.

In 1898 there was also conducted by an industrial commission established by Congress an investigation of the causes and effects of industrial strife. The commission consisted of five members of each branch of the national legislature and nine other persons appointed from industry and labor. They studied the question for three years and examined seven hundred witnesses. It reported nearly forty years ago on the principles now contained in the National Labor Relations Act as follows:

The chief advantage which comes from the practice of periodically determining the conditions of labor by collective bargaining directly between employers and employees is that thereby each side obtains a better understanding of the actual state of the industry, of the conditions which confront the other side, and of the motives which influence it. Most strikes and lock-outs would not occur if each party understood exactly the position of the other. Where representatives of employers and employees can meet personally together and discuss all the conditions on which the wage scale and the conditions of labor should be based, a satisfactory agreement can, in the great majority of instances, be reached.

Similar conclusions were reached by the United States Anthracite Coal Strike Commission and the United States Commission on Industrial Relations authorized by Congress in 1912, a quarter of a century ago.

During the World War, some twenty years ago, under the joint chairmanship of former President Taft and Frank P. Walsh, the National War Labor Board included among the regulations applicable to industry during the conduct of that war the right of

the right to organize to bargain collectively through chosen representatives and the board promulgated that this right should not be denied, abridged, or interfered with by employers in any manner whatsoever.

There ran along during these years the history of the development of collective bargaining through legislation applicable to the railroad industry, culminating in 1930 in a decision of the Supreme Court of the United States known as the Texas and New Orleans case, in which that court in the clearest language upheld the right of Congress legally to protect labor in the railroad industry in a manner very similar to that incorporated for industry generally in the National Labor Relations Act.

The policy of the United States with respect to organization and collective bargaining is also set forth, in principles not unlike those contained in this statute, in the Norris-LaGuardia Injunction Statute, referred to by Mr. Stephens, the amendments to the Bankruptcy Act of 1934, and in the Act for the Co-ordination of Railroad Transportation.

As far back as 1921, the Supreme Court of the United States, in the American Steel Foundries case, asserted that unions grew out of the necessities of the situation of the individual employee who, as the court said, was helpless with respect to his wages or conditions of employment unless he could combine with his fellow-employees to strike. The court said that combined action of this character had not for many years been held unlawful by any court.

I could go on and on, pointing out the development of the policy of the United States with respect to the right of employees to self-organization and collective bargaining. The recognition of the inherent justice and the essential character of this right, by public commissions who had studied the problem, by Congress after Congress, president after president, by industrialists, economists, political parties, and the widespread acceptance of it in industry on a voluntary basis, leads us to state without hesitancy that it was indeed in no sense remarkable that Congress should eventually embody this policy in a statute such as the National Labor Relations Act. The surprising thing is that this had not

previously occurred; that is, that legal protection of the right to self-organization and collective bargaining by legal processes should have been so long delayed in the United States. The right to strike had been upheld for so many years that only the diligent student could trace the beginning of the legal recognition of this right. Yet a strike is a concerted activity which stops commerce. It is not strange, then, that the court should now have upheld the right to engage in concerted activities, collective bargaining, designed to prevent the stoppage of commerce through the orderly procedure of negotiation and conference for the settlement of differences.

The National Labor Relations Act is designed to protect the right of peaceful concerted activity known as collective bargaining, so that strikes due to the denial of this right may be avoided, and that strikes due to other causes, such as differences over wages and hours and other particular conditions of employment, may be subjected to the civilized practice of adjustment by conference and negotiation in a bona fide effort to reach agreement without the use of costly and, as you know, sometimes deadly economic force.

Because collective bargaining may not be engaged in except through representatives freely chosen, the Act protects the right of employees freely to choose their representatives. This requires, necessarily, and the Act provides the means, that interference by employers in the right of self-organization and collective bargaining may be prevented. This is done by empowering the board to prevent certain listed unfair labor practices which, if engaged in, destroy the rights guaranteed by section 7 of the Act.

I would like to explain the operations of the board in preventing those unfair labor practices. The board has set up throughout the United States twenty-one regional offices in the large industrial centers of the country. A charge may be filed by an employee against the organization in which that employee is engaged covering any one or more of the listed unfair labor practices set forth in the Act. Those unfair labor practices are: interference with or coercion of employees in their rights of self-organization; domination of or interference with labor organizations; discrimi-

nation against employees for union activity; and the refusal of employers to bargain collectively with representatives of the employees chosen by majority vote.

If such a charge is filed, a preliminary investigation is made by the regional office. Many cases are disposed of at that stage as not meritorious or as beyond the jurisdiction of the board. If, however, the preliminary investigation indicates a meritorious case and one within our jurisdiction, and it is not adjusted, as many cases are, a formal complaint is issued, like a suit in a court case, advising the employer of the charges in detail. A notice of hearing is issued, setting a time and place for a hearing on the questions involved in the complaint. There then occurs a trial, very similar to a trial in court, before a trial examiner who presides over the hearing, unless the case, as rarely occurs, is heard by the board. Testimony is taken; witnesses are examined and cross-examined. The company, of course, is represented by counsel and engages in the case, just as it does in a case in court.

On the record thus made, the board considers the facts and makes its findings on the facts. If it finds that the facts have not proved the case, the case is dismissed. If it finds that the facts do sustain the charge of the commission of unfair labor practices, the facts are so found and the law is applied to the facts found based on the record made at this trial, and an appropriate order is issued to carry out the purpose of the Act. That is, if there is discriminatory discharge, the employer is not only ordered to cease and desist so doing but to restore the man discharged to employment. If it is a company dominated union, it is not only ordered to cease and desist but to do away with the effect by the disestablishment of relations with the company dominated agent. If the question is on refusal to bargain collectively, the company is not only required to cease refusing but to bargain collectively with the duly chosen representatives. If the employer thinks the board has made a mistake, nothing happens to the employer. There is no fine or penalty provided in the Act. He may take the case into the Circuit Court of Appeals in the United States. The whole record is then filed with one of the circuit courts of appeals of the United States, and, until that court approves the findings

of the board and the board's application of the law to the facts, the order of the board is unenforceable.

I assert that is as fair and as reasonable a method of procedure to protect what the Supreme Court has characterized in its recent decisions as the fundamental and essential rights of employees as any procedure devised under any statute ever enacted in the United States for the protection of the rights of anyone. The Supreme Court expressly passed upon these procedure provisions and upheld them.

There is another function of the board, distinct from the unfair labor practice phase of its work, which we call the function of determining controversies concerning representation of employees. Of course, there can be no collective bargaining unless through representatives. As you men in business know, there is often controversy among the men as to who represents them. A petition may be filed with the board by employees or employee organizations for the determination and solution of that question. Those proceedings are not proceedings against the employer. The employer is made a party and may participate in them. Really, they are proceedings among the employees to aid in the determination of a controversy among them as to who, if anyone, is the representative of the employees.

Hearings are held in those cases for the purpose of determining whether or not there is a controversy, whether or not the case is one within the jurisdiction of the board under the commerce clause of the Constitution, and who, if anyone, represents the men in the appropriate bargaining unit.

All those cases require, necessarily, the determination of what is the appropriate bargaining unit. The question of the appropriateness of the bargaining unit goes to the question of the eligibility of those who are to participate in the selection of the representatives. Often, it occurs that one or the other union in the appropriate bargaining unit, as found by the board, has a majority and so proves in the hearing. Certification of that fact is then made. If, however, the question of whether or not either has a majority is left in doubt, the board is authorized under the statute to direct an election by secret ballot, as it often does. If, as a re-

sult of that election, a majority vote is for a certain union, of course that union is certified as the bargaining agency. If a majority is not obtained, there is no certification. When I say "majority," I do not mean a majority of all those who are eligible to vote. We have held, and we believe the Supreme Court in the Virginia Railway case, which came up under the Railway Labor Act and was decided just about two weeks before our cases were decided, has laid down the principles which sustain the conduct of the board with respect to the determination of majorities. We hold, speaking generally, that, where there is an election at which all employees in the appropriate unit have an opportunity to vote, if a majority of those who participate in the election select representatives, those representatives become the exclusive representatives of all in the unit, on the same theory of the election of public officials, that those not participating but having an opportunity to do so are presumed to be willing to abide by the result of an election in which those who do participate select by majority vote their representatives.

One of the questions which has interested a great many business men and which has been the subject of some decisions by the board already is, "What constitutes collective bargaining?" It is a difficult question to answer generally, but I should like to read to you excerpts from several decisions of the board already rendered on that subject. In the Sands Manufacturing case, which has not yet been passed upon by the court, the board in its decision stated:

It is hardly necessary to state that from the duty of the employer to bargain collectively with his employees there does not flow any duty on the part of the employer to accede to demands of employees. However, before the obligation to bargain collectively is fulfilled, a forthright, candid effort must be made by the employer to reach a settlement of the disputes with his employees. Every avenue and possibility of negotiation must be exhausted before it should be admitted that an irreconcilable difference creating a deadlock has been reached. Of course, no general rule as to the process of collective bargaining can be made to apply to all cases. The process required varies with the circumstances in each case, but the effort at collective bargaining must be real and not merely apparent.



In another case the board said: "The officials of the respondent"—that is, the company in that case—"did not approach the negotiations with an open mind, nor did they make a reasonable effort to reach a common ground of agreement. The respondent has taken the position that it is obligated merely to meet with the representatives of its employees and discuss grievances with them as it would with individual employees." The board held that that did not constitute collective bargaining within the meaning of this Act.

I will conclude shortly, but there are one or two general observations I will make before opening myself to your turn at me through any questions you might ask.

The decisions of the Supreme Court, as most of you know—probably all of you know—gave the board a very wide scope of jurisdiction in the application of this Act. So it is true now that most employers in the United States engaged in business to any substantial extent in interstate commerce are subject to the National Labor Relations Act. The court passed not only on those jurisdictional questions but also all other questions that could be raised under the Act, except decisions in particular cases as to what constitutes collective bargaining. I mean, it upheld the Act against all kinds of attacks which had been made against it on constitutional grounds, so that the Act now is very fully effective all over the United States in the predominant part of American industry, which leads us to say that it is time to quit quarreling with the National Labor Relations Act.

From the review of the history of the development of collective bargaining which I have briefly gone over, and the action of Congress and the Executive in this particular statute, and the Supreme Court, it is useless further to endeavor to obstruct the right of employees to collective bargaining and self-organization. A statute so basically right—when I say "basically right," I am backed up by all the experience we have had through public commissions and in that part of industry which has voluntarily accepted these principles long before this Act was passed, by experience with the railroad industry, and by the Supreme Court in its characterization of these rights as fundamental and essential a

statute of that kind, the goal of which is industrial peace under civilized conditions affording protection to certain essential rights—cannot successfully be evaded long and cannot be thwarted.

I think most business men in the United States realize that and are conforming their relations with their employees to those principles. It is true, however, that there remains in some parts of industry a subtle and sometimes drastic effort to break down the statute in its application to the employees of particular industries and plants. I am confident that this effort will fail, and I am confident that this statute will, even in those (what we might call) die-hard branches of industry, eventually become fully effective.

I should like, in conclusion, to give you some idea of the extent of the work of the board. Up until October 1 (the latest statistics which I have available), there were a total of 8,592 cases handled by the board. Of that number, 5,300, considerably more than half, have been closed, leaving now 3,200 cases pending. Of the 5,300 closed, 3,100 were closed by agreement of both parties, 805 were dismissed by the board and the regional directors before any formal proceedings were initiated, 1,100 were withdrawn by the parties filing them with the board, largely on the advice of the regional directors, and 221 were closed in other manners.

Among the 8,000 cases handled by the board, there were 1,014 strike cases involving more than 200,000 workers, and 413 threatened strikes. Of the 1,000 strike cases, 771 were settled by board action, and 400 threatened strikes were averted through board action.

It remains true, notwithstanding the difficult period of industrial relations during the last year, and even the last six months, that as soon as this Act was firmly established and we had an opportunity, under the deluge of new work resulting from the Supreme Court decision, to reorganize on a basis to cope with the volume of work, that there has been a steady decline in the number of strike cases. I do not attribute all of that, of course, to this Act, but it is true that employees generally throughout the United States are more and more resorting to the procedure of this Act to obtain the rights guaranteed by it rather than resorting to the

old weapon of economic struggle which led to such costly strikes in the past. The goal of the Act is the obtaining of industrial peace.

I am particularly glad to have been with you today, especially in the environs of a university. I think it is a good thing for all of us to get away from the struggle and strain of business and of government, and in the relative quiet of the environment of a university, such as the great University of Chicago, to try to confer calmly on the matters which affect us in our individual businesses and in our work, whatever it may be. You men have a wonderful opportunity. We, in administering this Act, want your co-operation in making it effective. The Act truly has as its goal industrial peace, and largely in the hands of such men as you lies the solution of whether or not this Act will gain as large a measure of industrial peace as has been hoped for it. I think it will, but it does look very greatly to men such as you to further the Act, to cease even thinking of it in your own minds as wrong, and certainly to cease, if you do, thinking of it as temporary.

The Act is so inherently just in its essential basic provisions that, having at long last become the embodiment in statutory form of principles which have long developed, I think it may very definitely be said that there shall be no retrogression or going back to the old days of industrial strife over the matters now protected by this Act.

#### DISCUSSION

**CHAIRMAN STEPHENS:** Thank you very much, Mr. Fahy, I am sure we have profited by your comments. Mr. Fahy has announced he will be glad to respond to questions now for a brief space of time. Are there any questions?

**QUESTION:** Mr. Fahy, what do you regard as legitimate union activities within a plant? What may employees do, and what may they not do?

**MR. FAHY:** Before I begin answering questions, may I say I want my answers to be treated entirely off the record and informal. You see, the board decides cases on the basis of hearings and the records made in hearings, and after hearing both sides of the question, and it is therefore the policy of the board not to attempt to decide cases in advance and embarrass people by answers to questions either through correspondence or in such conferences as this when, later on, the same thing might be involved in the board proceeding and, on mature consideration, a different conclusion reached.

With that reservation, and simply as a method of being as informative and helpful as possible, I will answer the questions.

I should say there must be one guiding principle as far as the employer is concerned. I understand your question as directed to employer activities with respect to unions within a plant.

QUESTION: Employees.

MR. FAHY: You mean such things as soliciting members?

QUESTION: That is right.

MR. FAHY: I think the employer has the right, by rules and regulations, to regulate those matters within the plant. If he doesn't set up rules and regulations, he must simply let the employees do the things they want to do without discriminating in favor of one organization as against another. I think the employer has a very large power in regulating all such activities within his plant if he wants to, without discrimination as between organizations.

For example, we have referred in certain cases, in connection with other circumstances, to the fact that one union is given access to the bulletin board and the other not, as evidence of a connection with other facts in the case of discrimination in favor of one union as against another; remembering always, as I am sure you appreciate, that what the employer does with respect to employees, because of his tremendously superior economic power over the individual employees, has a very large influence on the individual. That is the reason we are so careful and the Act is so careful in restraining employers in anything which they do with respect to self-organizational rights. The employer simply must let employees alone in that respect, provided of course he always has a right, without such discrimination, to make appropriate rules and regulations in the conduct of his business in the plant.

QUESTION: A contract signed by one of the A.F. of L. affiliates is declared void. Do you call an election to decide whether or not they should be valid, or do you declare them invalid previous to election?

MR. FAHY: That, as you probably know, is the case which has been given considerable prominence in the press, in which the board has held invalid a contract made with a labor organization.

Here is the situation that has arisen in such cases as that, as a result of which the board has taken that action. I am not speaking of the particular case because I don't want to comment this morning on that particular decision, but I will answer the question, I am sure.

An employer may not choose the union for the men. That is destructive of the whole philosophy of this Act. The whole principle of the Act is that the employees must choose their representatives. Where an employer makes a contract with an organization which does not have a majority of the men, and coerces employees into that organization, that contract is void now. A contract is valid only if it is consistent with law.

Many contracts are invalid for many reasons aside from this Act. A contract which is made in violation of this Act is, *ipso facto*, void. These contracts sometimes made by employers, where the employees in the union with which the contract is made are in the minority, and the employer coerces the men into that organization because it is the organization which the employer chooses, simply cannot be permitted under the statute. Regrettable as it is to have to strike down contracts, there is no alternative for the board, if it administers this law, but to strike down contracts resulting from employer coercion in violation of this statute.

QUESTION: May I ask just what is meant by minority in this case? Does that mean a minority of those who had an opportunity to vote, or does it mean of all the employees?

MR. FAHY: It means a minority at the time the contract was made—which is a fact to be ascertained—of the employees in the unit covered by the contract. A closed-shop contract, of course, is valid under the statute if valid under the law of the state where made, if made with a majority, and a union not assisted in such a manner as to constitute an unfair labor practice under other provisions of the statute.

QUESTION: If that minority of today becomes the majority in ninety days clearly of their own accord, what happens?

MR. FAHY: They go back and get a contract, if the employer will give it to them.

QUESTION: If an election was voted in the plant, how long does the tenure of that election hold?

MR. FAHY: That is a difficult question to answer, and a very important question. We are anxious not to administer this Act in such a way as to discourage contracts, and the board will not let the men shift their allegiance every day, every week, or every month. When an election is held and the majority have selected representatives and they have been certified, that should hold for a considerable period of time. I think of it as a year. I don't mean by that, that that is a rule. It would vary with the circumstances. But we have often refused to hold elections, after we have previously held elections, because we didn't feel a sufficient lapse of time had occurred within which the men should upset the situation which resulted from the first election. We have also held, even where we did permit another election while a contract was still in existence, that although we permitted the change of representatives the new representatives must take the contract as they found it, under the facts of that particular case. The thing about these contracts which causes so much criticism of the board is: Are these contracts resulting from unfair labor practices? If they are, and the matter comes before us, there is no alternative but to say it is void; it is against the policy of this statute; it is against public policy.

The men must be free in the making of their contracts and in the selection of their representatives. I am not speaking of a particular case. The ques-

tions involved in those cases, whether right or wrong, will have to be determined by the courts. The principle on which the board acts, and surely you must agree that we are right, is that contracts made as a result of unfair labor practices are made in violation of the statute and accordingly are void.

QUESTION: What determines a unit and what determines eligibility?

MR. FAHY: It is hard to generalize about units because of the variety of differences in different plants in American industry. Each of those unit questions must be decided on the facts in the particular case. You can generalize to a certain extent. There are certain general principles which the board uses as a guide in determining the appropriate unit. One general principle is that in any form of organization we will not throw into the unit with the general run of the employees, employees in a supervisory capacity, whose interests are more closely aligned with the employer. That is an old doctrine of unionism.

Another general principle is that there must be correlation of work, a mutual interest, a community of interest in similar problems.

Another general principle is, whether or not there is an exchange of work between employees in various departments.

That throws light on the question of appropriateness of the unit. The variations in the circumstances that come up before the board are almost as great as the variations in circumstances of American industry, so each of those cases must be decided on the facts of the case, having in mind that the appropriate unit really means a unit which can best effectuate collective bargaining in the plant.

QUESTION: There was considerable discussion about the form of one of the ballots in one of the early controversies, where there were several organizations involved and the ballot read merely, "Do you wish to be represented by So-and-so," with a "Yes" and "No," meaning only one organization. Has there been any more standardized procedure adopted?

MR. FAHY: We still use that same form of ballot where there is only one organization claiming the majority. The question there is merely to determine whether or not that organization has a majority. In other cases, where there are two organizations each of which claims the majority, we have always put both organizations on the ballot, and now we have added a third place on the ballot so that the employees may vote not only for the "A" organization, if they desire it, or the "B" organization, if they desire it, but for neither.

QUESTION: I just would like to ask what reasonable means could an employer take to determine whether or not a union was representative of a majority of his employees?

MR. FAHY: If the employer is not satisfied with the evidence presented by the union, and in good faith doubts it and isn't simply stalling on his obligation to bargain, tell the union to go to the regional director here in Chicago and start a proceeding to get a certification.

**QUESTION:** If a man is ordered to pay back pay, I understand it is the policy of the board to take into consideration any earnings he has had during the time he was off, including W.P.A., but I understand cases have arisen, where a man has been on direct relief, where they refuse to consider the cash value of the direct relief he is receiving.

**MR. FAHY:** That is true. We don't think the employer may shift to the government his obligation under this Act to pay the employee whom he threw in the street in violation of the law.

**QUESTION:** I would like to ask Mr. Fahy one question. This summer I came into contact with a rather unusual situation. I was out in an airplane factory in California for several weeks, and incidentally, I found conditions the cleanest, the safest, and the most satisfactory I have seen anywhere, with the finest spirit among the employees. Every day at noon there was a truck or an automobile with a loud speaker. These fellows were talking out there. One day a preacher, who had never been inside the plant, was telling them how horrible conditions are.

A friend of mine, who had been a former student but who now happens to be vice-president and general manager of this factory, said, "Now you get an idea of what sort of people we are." He said, "They are competing among themselves to see who is going to be able to represent them. About six months ago a bunch of fellows in another plant about twenty miles away from here came up and slugged our employees as they were entering and, as a result of that, we have been hailed before the Labor Board. They have postponed action until next spring."

Meanwhile, this larger company bought the little company, from which the sluggers had come. That company failed because ten airplanes they built for the government were found by inspection to have been subject to sabotage. Apparently the employees at that plant were anarchists—there were only a few hundred of them—and they sailed out on their expedition after practicing sabotage and ruining their own company.

I said to him, "Has this crowd decided on someone to represent your employees?"

He said, "At the present time most of our employees are very much against it, but they are not organizing. We can't do anything about it. We have posted a notice saying that we would keep hands off, and it was up to them to do as they please."

Supposing that organization polls 7 per cent and another 6 per cent, and so on, of all the votes. How about it, do they get the right?

**MR. FAHY:** They must have a majority.

**QUESTION:** Majority of all the employees?

**MR. FAHY:** Majority of all who vote.

**QUESTION:** Suppose the majority are not union men at all, what then?

**MR. FAHY:** They vote "No."

QUESTION: Who represents them?

MR. FAHY: No one, until somebody does get a majority.

QUESTION: Then there is nothing doing?

MR. FAHY: That is the situation. Of course this other business of sabotage, and so forth, is a matter for the local police and state law. They cannot get representation under this Act unless they have a majority of those who vote in the election. If there is an election held, and the other employees are not sufficiently interested to go out and vote either "Yes" or "No," for one or the other, they will be bound by the result of their election if any substantial number of employees participate. In one election we held, there weren't enough employees who participated to convince the board that the employees were interested in collective bargaining, so they didn't even certify the ones who won. But that is a very rare situation.

QUESTION: Mr. Fahy, what may an employer do to determine whether an organization has a majority or not?

MR. FAHY: He may ask the union representatives to prove it to him by the submission of membership cards or the roll of the union. The union is not always willing to do that. If he is not convinced by the evidence which the union itself is willing to give to the employer to convince him, then your recourse is to tell the union, if you really are in good faith about it, and you don't think they represent the men, to go to the Labor Board and let the Labor Board ascertain the facts, if necessary, under our representation procedure.

QUESTION: The signed cards would not be sufficient evidence?

MR. FAHY: I think they are.

QUESTION: Unless they represent paid-up membership?

MR. FAHY: We consider signed cards as very strong evidence of the desire of those who signed the cards to have the union represented. That is what the union is for.

CHAIRMAN STEPHENS: Mr. Fahy, we are again deeply grateful to you, and I am sure everyone here appreciates the frankness with which Mr. Fahy has answered these questions and will observe the natural courtesies toward those remarks.



## TRENDS IN TRADE-UNION ORGANIZATION STRUCTURES AND FUNCTIONS

CARROLL R. DAUGHERTY

**I** AM quite sure, with regard to specific unions at least, that a lot of you have just as much if not a great deal more experience than I have. However, I shall try to give you a general summary picture of the way unions are organized and the way they operate.

This old friend of ours, the man from Mars, if he should come here to study the labor scene, would look on it pretty objectively. He would not have much interest in either the management side or the labor side, I dare say, and he would be in much the same position we would be in if we went, say, to Hungary and watched a couple of soccer football games between a couple of teams about which we knew nothing.

After looking at the situation for some months, I think one of his main conclusions would be that labor organizations are pretty much the same as other business organizations; that is, they operate under the present economic system according to the rules of that game. They are organized to sell a commodity, labor energy. They absorb much the same attitudes and adopt much the same practices that other business men and business organizations do, and, in order to effect the sale of this labor commodity, they organize themselves in certain structural forms and adopt certain tactics and certain policies. This observer would note, also, that, as the economic scene changes and as the market conditions change, these labor organizations are often forced, like other business organizations, to change their structural makeups and to change their tactics and policies.

He would nevertheless note, I am sure, certain significant differences between this sort of business organization known as unions and other business organizations. He would note that the thing they sell is not an inanimate thing, not a thing that can be stored;

it is a transitory thing, labor energy, and that makes some difference in the methods used for selling it. He would note, also, that the effort to sell labor energy collectively is a little different from the sale of commodities, in that the production and sale of commodities in general leads to creation of income; it produces the entire income of the country, whereas the labor-selling job has more to do with the partition or share of that income.

He would note also, I think, another significant difference between the sales activities of these business organizations called unions and other business organizations, in that not all people, not even all workers that have this labor energy, are convinced that it is a good thing to market it co-operatively, to build up these organizations with certain structures and certain functions; that there are certain other business organizations, certain other business people who are not convinced that it is good to market this thing co-operatively.

With that background we can, I think, look a little more clearly at the way unions are set up and at the things they do.

In the first place, there are about 165 national or international labor organizations in America. When we say "international," we mean they have locals in Canada—no connections in South America or even Mexico, necessarily, or in Europe. There are about 165 of them, and, of the 165, about 100 are connected with the American Federation of Labor, which has for fifty years been our official labor movement and federation. About 32-or-so are connected with the Committee for Industrial Organization, the C.I.O. The remainder are bona fide independent labor groups, like the "Big Four" railway brotherhoods, and the postal-clerk organizations in the non-Washington government service.

The total membership of these organizations is a little difficult to calculate. We really don't know how many union members there are. We have to accept the report of the American Federation of Labor, which is based on the per capita taxes paid in by the member unions to the American Federation of Labor. It may be expedient sometimes for the member-unions to overstate their membership in order to have voting strength in the A.F. of L. It may be expedient at times for them to understate their member-

ship. If we accept the American Federation of Labor's claim for membership at the present time, it will be about 3.7 millions or 3.8 millions. If we accept the C.I.O. claim for membership, it will perhaps be the same, maybe a little higher, although we recognize perhaps that signed cards, application pledge cards in the offices of the C.I.O. unions, don't always mean dues-paying membership. Then there are about 600,000 union members in these outside independent labor organizations, neither affiliated with the A.F. of L. nor the C.I.O., making, if you please—do your own arithmetic—maybe six million, maybe seven million, maybe eight million union workers in this country; at any rate, a larger number than ever before in the history of the labor movement, both from the standpoint of absolute numbers and from the standpoint of proportion of workers organized.

In what fields of industry are these unions? Before the N.R.A., 75 per cent or more of the American Federation of Labor's membership was made up of railway employees, building-trades employees, clothing and printing industry employees. They formed the bulk of the membership. It is much more widely distributed now, since the N.R.A. and under the New Deal, with the coming of the C.I.O. The American Federation of Labor exceeds the C.I.O. in membership, I think—things change very rapidly, of course—in building construction, in railway employees, and in personal service. In those fields the American Federation of Labor has more members than the C.I.O. The C.I.O. is strong in the heavy industries, in the raw-material industries. Although agricultural employees aren't organized to any great extent, the C.I.O. does exceed the A.F. of L. there. The C.I.O. is very strong in the extraction of other raw materials such as minerals. The C.I.O. has the keystone of the whole industrial arch, the iron and steel industry, fairly well organized as well as other durable goods industries. The C.I.O. exceeds the A.F. of L. very substantially in membership in the manufacturing industries.

The independent unions, as I have indicated, are strongest in the railway field, particularly in train operation, with the railway brotherhoods, and in government service. Their memberships in

these fields exceeds even that of the American Federation of Labor.

If we look at some of the structural aspects of unionism, we come first to this matter of form, the way they are built up. The form of unions may be described under a number of heads.

There is, first, the craft or the amalgamated craft union, which is made up of employees who have a common bond of pattern of skill, a shoulder-to-shoulder feeling that they get from having gone through a similar course of apprenticeship or experience in learning the trade. That is the craft union. The amalgamated craft union is simply a merger or combination of two or more of these, like the bricklayers, masons, and plasterers; the plumbers and steamfitters; the International Association of Machinists. The craft unions are a little hard to find, although the eight printing-trades unions are good examples. The other main form, known as the industrial union, is sometimes called the vertical union. I am not sure I should call the craft unions horizontal and the industrial unions vertical because some craft unions are confined to one industry and because, although vertical in one sense, an industrial union like the Amalgamated Association of Iron, Steel and Tin Workers is horizontal from the standpoint that it organizes workers only in one stage of the vertical production process of steel-making.

The industrial union, unlike the craft or amalgamated craft union, accepts all the semiskilled and skilled to membership. It has a much broader base for its membership. There are numerous arguments between the proponents for each of these forms of organization.

The main one in favor of the craft organization I have already given you, in that they have this common bond of feeling. They have a great feeling of craft solidarity, having gone through that training together and having learned the same skills and learned this general pattern of thinking about their work, whereas it is said the industrial union is made up of polyglot membership, sex and race differences, with wide differences in skill. You can't hold them together. There is not the same feeling of common, collective action.

On the other hand, unionists say that the craft unions lead to jurisdictional disputes as modern industry develops, and the technology blurs the sharp lines of distinction that used to exist between the crafts. The crafts naturally claim as much work for themselves as possible, so they come into sharp conflict. That discredits the entire labor movement, it is said, because it causes a lot of inconvenience and expense to the employer as well as to the public and other unions. Of course, that argument doesn't have much weight in the present C.I.O.-A.F. of L. controversy because the C.I.O. doesn't claim the building industries should be industrially unionized, and the building industry is the chief place in which the craft sort of jurisdictional dispute arises.

At any rate, it is said that this development of modern technology and machine production in the mass-production industries of steel, rubber, and autos necessitates the industrial form; that if you have large numbers of employees split up in crafts, the employer will play one union against the other; there will not be that united coterminous front for dealing with the employer, and the employer will have agreements ending at different times in the year with the various craft unions, if there are such, and the employer would therefore be able to coerce and best any one of the craft constituent unions in an economic struggle.

It is also said, of course, that the members of the different craft unions sometimes "scab" on one another, to use the labor phrase; thus, the locomotive firemen, even if they have no particular quarrel with the railroads, have sometimes run locomotives. It is said, furthermore, that the real reason the craft unionists don't want to become industrially unionized is because each set of officers has its own interests and hates to give up its nice white-collar jobs and its nice salaries because, naturally, in a merger of unions there would be savings effected in the overhead of running the various, formerly separate unions. So the arguments go.

The main point at issue, however, is, "Which form is economically better for selling this commodity on more equal terms with the employer?" That is the main question.

This dispute between the American Federation of Labor and the C.I.O., some people say, is due mainly to a clash of personal-

ities, to bitter struggles among the leaders of the important unions in the A.F. of L. for power within the American Federation of Labor. Who is going to boss the American labor movement, in short? There is a lot of truth in that, particularly after a physical combat such as Mr. Hutchison and Mr. Lewis engaged in a couple of years ago at Atlantic City. Other people think it is only this craft industrial dispute; that if that thing could be settled, the trouble would disappear.

In my opinion, however—it is not original, of course—the main issue between the two groups is, which is the best way, and who is going to do it, of organizing the unorganized workers and getting them into the American labor movement?

The C.I.O. has some horizontal, more or less amalgamated, craft unions in it—such as the Federation of Architects, Engineers, Chemists, and Technicians—that run from industry to industry. These are not industrial unions. The American Federation of Labor has adopted the industrial union form—it has always had a certain number of such unions—in much of its new organizing work. That is, it is going into the industrial field more fully in its fight with the C.I.O. The carpenters have Class B membership for industrial union workers in the lumber-products fields; the electricians, for electrical equipment companies, like Westinghouse and General Electric, have Class B membership and are organizing industrially. So I doubt that the controversy is so much craft versus industrial unions. The main thing is, “Who is going to organize the unorganized workers, and is it going to be done?”

After N.R.A., when the organization of unorganized workers was greatly stimulated by government encouragement, Mr. Lewis, Mr. Hillman, and Mr. Dubinsky (to use the language they would use) went to town and built their membership to unprecedented peaks. Although there were certain gains among the craft unions, those gains in no way approached the gains made by the other people. So it was only natural that the persons who had organized, and who happened to be industrially minded, should have become impatient with the lack of success, lack of activity in organizing among these more conservative craft unions.

So the issue grew more and more, became sharper, and finally came out in the open in the formation of the Committee for Industrial Organization in November, 1935, a committee that was originally formed to organize within the American Federation of Labor. Sensing perhaps that this was a desire to oust some of the American Federation of Labor leaders, the Federation gradually moved for suspension, which it accomplished.

At any rate, let us leave that point at this time and pass on to the next topic of structural manifestation of unionism.

I think it is desirable for us to look a little bit at the internal makeup of one of these national or international unions, whether they belong to the C.I.O., the A.F. of L., or not.

The typical national union has a national headquarters, and the national organization is the main thing about the operation of the union. The national organization is the most important thing. That wasn't always so. It used to be that the national part of the organization was simply a small clearing-house, and that the local was the important thing. The local is still relatively important in some industries where the markets are local; but, where the markets for the products which labor helps make or the markets for labor itself are national, you have the development of centralized power within these unions. That is not a development peculiar to unions. That is what has been happening as a result of modern technology and changing market conditions among corporations and other business organizations. That is what has been happening among other business organizations—concentration of control, centralization of power in a national office. That is what has been happening in government also, centralization of power and concentration of control in the federal government, gradual encroachment on so-called state's rights. The same thing happened to unions. As the markets widened, there was a centralization of power in the hands of the national officers.

The national officers, of course, keep their power. It is necessary for the members to grant them their power, but they keep it in a number of ways. They have control over the funds of the organization, as a rule, and they may give or withhold the payment of strike benefits and other benefits. They have the power

to suspend local units between conventions, and they are able—taking a leaf out of other organization books—to build up a political machine often by giving gifts of petty political preferment, like trips to conventions with expenses, to henchmen in the various local and district organizations, which enables them to have their way with regard to re-election and with regard to the measures on which the convention passes.

The local unit of the national organization charges dues which may be very high, or may be very modest. As a rule, it is the craft unions whose dues are highest, and the industrial unions whose dues are relatively low. They keep all the money they get in, except a required per capita payment on each member which they must send to the national offices. They also set initiation fees, although in some cases that is made standard by the national offices, and fines and special assessments are collected through the local offices. Their books are often audited by representatives of the national office, but sometimes they are not. Sometimes the accounting is very loose, and sometimes it is as good as you find in any ordinary business organization. The national accounts are better taken care of, as a rule. Sometimes they are very sloppy, but in the larger organizations their reports are as full and complete and as meaningful as you find in reports of corporations to outsiders. Maybe that is not very high praise, since corporations don't like competitors to know what is happening inside, and labor organizations don't like competitors or employers to know what is happening inside of them as business organizations. But that is the way the finances are handled. The national organization sometimes sets the fees, the dues; sometimes not. At any rate, it takes a slice of them in the form of these per capita taxes and may sometimes on their own motion and sometimes necessarily after approval by the membership, make special assessments, just as the United Mine Workers assessed their members for money to launch the organization drive in the iron and steel industry.

The local union may be thought of as a sort of government with legislative functions performed by the mass meeting, which may meet in a second-floor loft or may meet, in a large city like this, in



a labor temple, in very nice surroundings. There, the members pass on the various proposals brought up from the floor, referred from committees, or brought up by the officers for consideration of the members.

The executive and judicial functions are performed in the local by the officers. In the olden days the officers worked at their trades and received small stipends in addition from the unions for doing night work on union affairs, but, as the locals got larger, it was found very desirable in many cases to have the officers full time. So the officers left the bench and became full-time employees in charge of union affairs. At that point, of course, you had the danger, often realized, of what happens to a man when he gets a white-collar job and gets away from the bench and from the machine, getting out of touch sometimes with the workers' problems, liking his new job, with expenses often, nice cigars and cars, and looking at a lot of measures that come up only from his own angle—how will this affect my job as president, or secretary?—not looking at it from the standpoint of whether it helps the membership, but whether it affects his own job favorably or unfavorably.

It would be a mistake to think that all labor union leaders are like that. It would be a mistake, decidedly, to think that labor unions are any different in that respect from any other officers of other organizations. They are part of the general business scene.

In the service trades and building trades the necessity for a full-time officer is readily apparent, somebody to take up the workers' grievances with the employer, somebody to collect dues and keep the books, sometimes to levy fines and assessments and collect them. These business agents, because of the nature of the work, because of the nature of their control over the workers, may develop into autocrats, and may develop into crooked autocrats or racketeers. They may have alliances with underworld characters. They may be allied with gangsters, or the gangsters may come in and take over the thing whether the union officers want them to or not. At any rate, the business agent, say, in the building industry has power over the employer in that his union is perhaps working only two or three weeks on the building, and the contractor

has to get the building done according to his agreement. So the business agent holds very strategic power over the employer. He can call a strike or not, as he pleases; and, if he does call a strike, the employer forfeits his bond perhaps on the contract. Rather than have that happen, the contractor will hand out a little "dough" to the business agent, charge it up to strike insurance, and you and I pay for it. There is a great temptation there for the union leader to take advantage of that sort of thing. Sometimes investigating commissions in this city and New York have discovered such things and have caused some of these leaders to be sent to jail.

The business agent, on the other hand, sometimes has control over the members of the union; by having the power to give or withhold jobs, he can sometimes make them "kick back" part of the high wages which he gets them by coercing the employer. That is to say, the business agent is the employment agent, and, if he wants them to work and they agree to do what he says, they work; if he doesn't want them to work, because they don't agree with what he wants them to do, they don't work. Rather than fight that sort of thing or rather than get bounced out of the union meeting by strong-armed men of the business agent, they give in.

It would be a mistake, I repeat again, to think that most union officers yield to these temptations. I am sure in my own mind that, if an objective study were made of defalcations of union funds and of this sort of racketeering just mentioned, one would find no more of it in union business organizations than one would find in banks and other organizations. Power and money together provide the temptation. A lot of us are led to believe that extortion and corruption are the common, ordinary state of affairs within unions, but I doubt very much that this is so.

The district or state organization of a national union is not very important. It is a combination of locals to meet a certain group of economic conditions; thus, in the United Mine Workers' organization, District No. 12 in Illinois was organized among the locals of that region in order to deal with common problems that face the locals in that area. There is only as much power as is

necessary there, and only as much money as is necessary there. The important units are the locals and the national organizations. As I have indicated, the national organization is constantly encroaching on the autonomy and freedom of the locals.

You can think of the work of the national organization under the same head that you thought of the locals. There is, first, the legislative function which is carried on by conventions. Sometimes the conventions are held every year and sometimes every two years, and sometimes not until the national officers feel like it. The carpenters, I believe, didn't meet in national convention from 1929 to 1937. At any rate, the convention transacts the laws for the union; there are reports of committees, and all that sort of thing, just as there are in our legislatures.

Another legislative function, sometimes found in certain unions is the referendum; that is, certain measures must be referred to the membership by mail for their opinion, and the votes counted. For example, that was done in the Newspaper Guild when they decided whether or not to approve the convention's action for affiliation with the C.I.O. Those are the two ways—sometimes there is a combination of the two—in which laws are passed by the national unions.

National officers are intrusted with executive and judicial functions between the legislative sessions, and that is where their power becomes very evident. They have the power, as I have said, to suspend and to withhold benefits. That is very effective in bringing locals into line and presenting a national, collective, united front.

All of these things are, as I have said, susceptible of abuse, and perhaps it is to be wondered at that there hasn't been more abuse of this power and of this money control that comes to the national officers. But this centralization is an economic necessity. However much we may dislike centralization of power in the federal government or in large corporations where there is a separation of ownership and control, it is a response to modern economic market conditions, and there is nothing much to do about it, except to set up safeguards wherever possible.

Before we leave this question of structure, let me just outline

the problems of structure that remain in the American labor movement before we can have real stabilization and consolidation of industrial peace.

There is the problem of the C.I.O. and A.F. of L. split, which I think will be settled eventually—soon we hope—if enough pressure is brought to bear on both sides. If it isn't and they do break off and go their own ways, it will possibly mean the destruction of one and the coming into power of the other group. It all depends on which is better adapted to modern conditions of selling and marketing this product of labor. Not all depends on that, of course. There are leadership and other tactics in there, but in the long run the determining factor will be an economic one.

Another problem is the responsibility of union leadership, responsibility to the employers with whom they deal—that is, the observance of contracts—and responsibility to the membership which makes up the union. There must be, of course, development in the thinking of union leaders so that they will observe their contracts with employers. I think, however, it would be difficult to show that there is any less observance, any less sense of responsibility among union leaders as a whole in that respect than there is among other business organizations. There are some stupid union business men and there are some smart ones, and you find that sort of thing in other business organizations as well. After things have been given time in which to crystallize and consolidate, I am sure that responsibility will come with power, and I don't think there is any need to legislate for it. I don't think a law requiring the incorporation of unions would make a whole lot of difference with regard to responsibility, or that amendment of the Wagner Labor Relations Act would, in itself, bring more responsibility. To me, responsibility is something that has to come from within, has to grow within one in one's attitudes, and it can't be legislated into one any more than teetotalism could be legislated into one by the Eighteenth Amendment. You had to figure out for yourself whether it was a bad thing to bend the elbow, or not a bad thing, it didn't make much difference what the law said. I feel the same way about union leaders' responsibilities to employers.

With regard to responsibility to their own members, you have a very nice question there, because democracy essentially is inefficient. It all depends on how much compromise we are going to make with inefficiency, and how much democracy we can stand. Autocracy and despotism, of course, get things done. We want none of that. We do have to compromise between despotism and anarchism. So I hope ultimately that unions and union leaders will give every opportunity to the rank and file for the determination of policies, and then that the rank and file will become good enough, seasoned enough, union members to be self-disciplined and follow those policies which they help determine. That is about as ideal a setup in any organization as you can find, self-determination of policies and self-discipline. That will have to wait for two or three years, of course.

We have these labor receiverships, the S.W.O.C., the P.W.O.C. in the petroleum field, and the T.W.O.C. in the textile field, and as yet the people who have been brought into those unions are not real union people. They don't know unionism the way the old machinists and other union members know it, and there is a terrifically important problem of workmen's education to be done there. After it is done, then we hope there will be this self-discipline and this self-determination of policy.

Turning to the functional aspects of unionism, the thing that strikes one at once is that practically all the unions in this country, and the majority of the members within the unions, accept the present economic system and try to get the most out of it; that is to say, they are not class conscious, they are not revolutionary. They don't want to do away with the system of selling and buying labor that we have. They are satisfied with the wage system. They don't want to substitute some other system in place of this market system for the selling and buying of labor. They don't want to take all the income. They simply want a larger share of the income as it is produced under the economic system. So we say they are not class conscious; they are job conscious. Being job conscious, they concentrate on immediate things, and they want higher wages, shorter hours, improved conditions of work, including seniority, grievance settlement, and that sort of thing.

So now we are talking about the way they operate in their bargaining, their dealing with the employer, their selling of this commodity, labor.

There are three main kinds of policies that are distinguishable among these business unions: First, an economic group of policies; second, a welfare group of policies; third, a legislative-political group of policies. But they all concentrate—although there are other elements in them—on the control of the supply of labor and have something to do with the price and conditions of this labor.

The economic policies we usually talk about are policies with regard to restriction of output, for example, and restriction of membership, limitation of apprenticeship, the closed shop, and so on. All those policies try to promote labor, collective solidarity in a given craft or industry, and control of the supply of the commodity. In certain industries, where economic conditions make it possible, unions, like the building-trades unions, will limit the supply, will insist on a closed shop, and will keep workers out of the unions, in order to limit the supply, by high membership dues, high initiation fees, and that sort of thing. They can do it because machinery as yet has not taken away their skill or their strategic positions. That is a business proposition, isn't it? There are lots of manufacturers who, where the market permits them, also try to limit the supply of their products in order to get higher unit prices—for example, companies in the steel and cement industries perhaps, among others.

In certain other industries business men just can't limit or control supply—in bituminous coal, cotton garments, men's clothing, and others, where competition is severe. They don't need such a large investment in plant and equipment, and there are a lot of producers rather than a small number of producers with an enormous investment in each company which needs to be protected.

In the second kind of industry you can't have the semi-monopolistic condition, and that is true of a lot of unions. Some unions can get away with monopolistic control of labor supply as business propositions; they restrict membership and insist on a closed shop and a closed union. But the industrial unions couldn't

think of getting away with that because the market conditions won't allow it, any more than the business men in those industries I have mentioned can get away with it.

Industrial unions in the mass-production industries make every effort to get everybody in by low initiation fees, relatively low dues, and co-operative approach to employers' problems rather than a restrictive approach. After an employer recognizes a union, unless the union is revolutionary, the union feels a certain identity of interest with the employer, in that, if the employer's business doesn't function, there will be no wages or jobs at all for the union members. So the Steel Workers' Union will be co-operative with steel employers with regard to certain ways of handling unemployment problems arising out of the introduction of strip mills.

You find that sort of co-operation among certain unions of that type. Such unions will often take wage cuts when it seems desirable, as the Hosiery Workers did during the depression in order to help the employers along, because the market conditions in those industries demand it.

The welfare policies of unions are based on a certain amount of brotherly, common feeling among workers; there is a lot of altruism in the welfare policies, just as in the welfare policies of business, but mainly they are economic, just as I believe in many employers' cases they were economic. When unions pay unemployment benefits or death benefits, and build up funds for the payment of sick benefits, and all that sort of thing, such as homes for their aged members, there is altruism and humanitarianism in them but, fundamentally, it is a member-holding program. If you hold the members, you present a united front to the employer, you sell your labor energy under a condition of controlling the supply. Some unions have worked that out to a very high degree.

The Amalgamated Clothing Workers fill the lives of their members so full that there is nothing left for any other agency to do; there are housing developments, banking, community health centers, low-cost medical and dental care, summer camps, workers' education, labor temples where they can hear concerts and lec-

tures and amuse themselves, and recreate themselves in other ways. There is no phase of the workers' lives in a welfare sense that they don't take care of. They are smart, these union leaders, and their measures are psychologically sound because they know it will mean more in connection with selling labor.

The third main function that I mentioned was the legislative political function. It is obvious that unions are coming to depend more and more on government. It used to be that the only kinds of legislation workers wanted were two: First, legislation restraining the competition of certain substandard groups of workers, like women, children, immigrants, and prison laborers which they couldn't organize very well themselves in union economic fashion; they therefore asked the government to limit the labor of those substandard groups and take them off the labor market as competitors for jobs. They have always been for that kind of legislation.

In the second place, unions have always espoused laws which would keep employers or employers' allies, like courts, local government officials, or state government officials, from preventing unions and union people from organizing and trying to sell their labor co-operatively and collectively.

Those are the two kinds of laws that unions have always been for.

Recently, of course, there is a third kind of legislation in government interference which they have been for, and that is social security legislation. For a long while they didn't want that because they felt that, if the government gave them old age pensions and unemployment benefits, there would be one less reason for workers belonging to unions; that it would be a factor which would detract from the attractiveness of unions. But the obvious inadequacy of the union benefit funds during a prolonged and deep depression, such as we had from 1929 to 1933, caused the American Federation of Labor and other unions to change their minds about government provision of social security.

So those three kinds of legislation are now worked for by unions. But the aim fundamentally is to help them in the sale of their



labor and in improving their conditions as business organizations. Welfare may play a part, of course, as in the union's own welfare, but fundamentally it is a business proposition.

In conclusion, one can't help but see that unions have spent a disproportionate amount of their time in trying to get other workers and other business organizations including employers to agree with them that they ought to sell labor energy collectively, market it co-operatively. Instead of having time to demonstrate to the community at large and to these other business organizations that they were good business propositions themselves, and honest and responsible, they have always been, thus far, a minority, a more or less unaccepted movement, except in certain industries, like railway, printing, newspaper publishing, and a few others. Any organization that has to fight for existence in that fashion is bound to be secretive, is bound to make some of the mistakes we commonly associate with organized labor.

So in ending this brief, sketchy summary of the way unions operate, I think I should say that the prospects for labor peace depend on a lot of things we can name, but fundamentally the big, important issue is whether or not management and employers and these other business organizations will agree that labor ought to sell its product collectively and co-operatively. That is to say, take away employers' opposition, and unions will have time to concentrate on the things that make them valuable organized parts of the community.

## PROBLEMS IN COLLECTIVE BARGAINING

CYRUS S. CHING

I VERY much regret seeing this conference drop from its high plane down to hearing an ordinary person connected with industry talk, but I am going to take the time allotted to me to make a few observations as I see them on the state of the nation; not on collective bargaining primarily, but I may say something about that incidentally.

The steel industry has recently become respectable, due to the leadership of John Stephens. The rubber industry is probably not yet respectable, so if I use some ordinary rubber-plant language in my discourse, I hope you will forgive me.

My first observation is that as Americans we are in too damned much of a hurry. We want to get everything settled in fifteen minutes. That goes for industry, organized labor, and government. You get all the answers, and we are going to settle the thing and get it over with in a hurry, and get doing something else. We even get so far in advance of the trend of the times, sometimes, that we hurt ourselves.

That reminds me of a story I heard the other day of a fellow who woke up, looked himself over, and found his both arms, his head, and both legs wrapped up in bandages. He looked through a sort of mist and said, "Where am I?"

The fellow said, "You are in the Roosevelt Hospital."

He said, "Where are my clothes?"

"In the closet."

He said, "You go to my coat pocket and you will find a card there with Jack Smith's name on it and his telephone number. Call him up and tell him to come over here."

His friend arrived, and he said, "How did I get here?"

He said, "I don't know."

"What happened? Tell me."

His friend said, "You remember last night when we started out, we went to the Waldorf Bar and had four Manhattans?"

"Yes, I remember that."

"Then we went to Ed Wright's and had three high balls."

"Yes, I remember that."

"Then we went down to the Yale Club."

He said, "I don't just remember that."

His friend said, "I will tell you from there on. After that, we went to my apartment in Central Park, West. You know it is on the twenty-fourth floor. The first thing you did was to throw open the window, and you said, 'I am going to dive out this window, fly around the house, and come back in the window again.'"

He said, "For God's sake, why didn't you stop me?"

His friend replied, "Stop you? I bet a fellow twenty bucks you could make it."

So some people, in their fantastic ideas, are encouraged by others.

Another observation I would like to make is that I am sufficiently old-fashioned to believe that people engaged in business and industry occasionally tell the truth, even when they are speaking to the public. We have reached a situation, however, where when industry makes a statement it is immediately branded propaganda, but if someone else makes a statement, what he says is considered fact. So, from here on, I shall probably address myself to the industrialists in the audience and tell them what is wrong with them, and why we happen to be in this hapless position where nobody believes us, and the popular thing is to attack business and industry.

It seems to me that over a period of years industry has done a pretty good job in serving the public. Certainly the management of industry has had an eye to profits. Were it not for the profit system, of course we couldn't conduct our industries on the present basis. Until we abolish the capitalistic system, we still must have the profit motif. We did a pretty good job in serving the American public because, as I see it, industry has just one function to perform—to convert raw material into finished goods and distribute them to the public, those goods to be of a quality and at a price that will meet with public acceptance. The expansion of industry has demonstrated that the industrialist has done a

fairly good job in that respect, and, to the extent that he has done a good job, society has compensated him accordingly; to the extent he has not, he has failed.

But there are other obligations we must take on, as we have discovered recently. One of them is to have the public know what the function of industry is, and by that I do not mean going out and hiring public relations counsel—some of those people are even good—or putting on a big publicity campaign, but demonstrating to the public in all ways possible that industry is entitled to its confidence and support, and that industry that does not have character and integrity as a background is not entitled to the support of the public or of its own employees. Therefore, of course, one of the fundamentals and the most important thing is character and ethical conduct in our relationships, whether it be with our employees, our customers, or our government.

Industry has been accused of being autocratic, or at least I assume they have been, because the last speaker just said the only way you could really get anything done was not through democratic methods but through more or less autocratic methods. I assume that industry has been autocratic. No one can have his own way very long without using coercion. You can talk about co-operation, and it works well up to a certain point, but eventually there comes a time when, if some one man or some group is going to have its own way, it must use coercive tactics of some kind. It may be friendly coercion, or it may be the other kind. Sometimes the other kind is talked about in terms of friendliness.

Some speakers I have recently heard talked about solicitation of members in the union. There is a lot of union membership that is obtained through straight selling on the basis of the merits of the organization. There is a lot of selling of commodities that is done on the merits of the products. Then, I suppose, there is some other selling that is done by other tactics, but we don't usually talk about those.

It reminds me of the story of the two repairmen for the telephone company who went out. They had been on the job in the forenoon, and about noon the manager was called up by a lady who said, "There are two of your men working out here on the

telephone line, and I never heard such language in my life. It is awful. The profanity is terrible. I want those men censured, if not discharged from your employ."

The superintendent called them in and said, "Tell us the story. What happened out there? Just begin at the beginning. This lady has made this complaint, and here it is all written up."

Murphy said, "You go ahead, Gallagher, and tell it."

He said, "I can tell you all about it. Murphy was up there on the crossarm and I was on the pole. He was soldering a piece of cable up there, and he dropped some of the hot solder down my neck. I looked up and said, 'Won't you please, Mr. Murphy, not do that again?'"

Sometimes the tactics of management and sometimes the tactics of organized labor are smoothed over and glossed over in about the same way.

We never can have a perfect system. I will guarantee now that, if there is sufficient talent in Chicago to develop a system whereby human beings will get along together perfectly, I can recruit at least 150 good, bright fellows down in New York who will come out here to take it apart to see what makes it work so smoothly. Whenever you reach a situation where you have all the answers in regard to relationships between human beings, you are on very dangerous ground because it will blow up on you.

We are always going to have these differences of opinion. We are always going to have conflicts. We are always going to have our differences and rows, some of them resulting in bloody noses. But I think the very fact that there are those conflicts, and that we recognize that those conflicts are going to exist, is what makes life interesting.

For seven or eight years I had experience in dealing with organized labor, nineteen unions. We had lots of differences of opinion. As one fellow said at the time I left, "You quite often disagreed with us, but you were never disagreeable." The thing that surprises me, Mr. Fahy, is not the number of labor disturbances we have had in this country in the last couple of years but how few there have been. Stop to consider that you have written into your federal law, section 7 of the National Labor Relations

Act, something we did not have before, something that crystallizes to my mind what are the rights of employees (I have always been a firm believer that employees had the right to organize and join any union they wanted to join), and that publicity has been given it by newspapers, radio, and all the other means of communication we have now. Then couple with that a group of men who have been somewhat in the background but who have now found their opportunity to go out and be somebody—believe me, we all like to be somebody—who, inexperienced as can be, see in this a good opportunity to go out and organize a union and who recruit a lot of inexperienced people who have not belonged to a labor union before and know nothing about the labor movement. When you put that kind of combination up to management, who are the rankest kind of amateurs up to this time in dealing with that kind of a situation, it is a wonder we haven't blown the whole thing up. I am surprised that we haven't had more trouble rather than less.

I am going to talk to the industrialists here and tell them a few things, dwelling a little on tactics.

Someone asked me one day if I would sit down and write out for him the technique of dealing with a labor organization. "How do you do it?"

I said, "Very simply. I can just give it to you in one sentence. If you are going to deal with a labor organization, just make up your mind you are going to deal with them. That is all the technique there is."

Of course, dealing with labor organizations is the same as dealing with any other situation where human beings are involved. If you haven't reached that conclusion, don't look for any other technique. If you are going to deal with a labor organization, sit down—not with your fingers crossed—in good faith and deal with the situation, realizing that the fellow on the other side of the table has his troubles and trials and tribulations also, and you are going to try to work this thing out as well as you can.

Too many people don't do that. That is one reason we sometimes have to go to the National Labor Relations Board. I appreciate fully that you may have to go to the National Labor Re-

lations Board at times for decisions, but, when you get the darned decisions from them, all they do is to tell you who is going to fight with whom.

If I go over to the celebrated Palmer House, where they have the celebrated orchestra at night, and I see a married couple quarreling, I can say, "There is going to be a divorce in that family pretty soon. They are going to have to resort to the court to settle this thing." The Labor Relations Board can't do that. They are just going to point out and say, "You are going to fight with that fellow, but you can't get a divorce; if you do, you are both sunk."

I am thoroughly in accord with the principles of the Wagner Act. I believe, however, that as we progress, if we don't try to save the world too soon, we will probably get some other things in our government, some other legislation, some other machinery which may help us out rather than bring in two people who have already had a row in public and have this board determine, "Yes, you have had a row in public. There might have been someone else with whom you have been fighting, but you are the two guys who are going to do it from here on." We must get some way to soften those people a bit and ripen their judgment a bit before we just turn them loose to fight with each other. They will eventually learn it under the present system, but I think some opportunity for conciliation and getting together in a better understanding is necessary. You may talk about their getting together, sitting down and talking this thing out. Many people preach the gospel that, if two people with a difference of opinion will sit down and talk it over, they can always settle it. I have heard Mr. Green and Mr. Lewis both make that statement where an industry and the union were concerned. Why on earth don't they?

In other words, there are situations where certain things happen, making it impossible for two people to get together and each save his face. In the last analysis, most of these things are face-saving propositions anyway. An industrialist goes along, and then he runs blank for a time. He says, "I have marvelous relations with my employees." In comes another fellow and says, "I represent Union So-and-so, and I want to talk to you about it." Im-

mediately, if this industrialist is not philosophical, you have all the elements necessary for some fireworks because the fellow who comes in is sometimes a bit bashful and wants to cover it up a bit, so he shakes his fist under the manager's nose, and the manager says, "No So-and-so can do that to me." Then someone says, "This is a C.I.O. union," and the hair begins to come up on the back of his neck.

This job of promoting proper labor relationships is not anything you can do overnight. It isn't anything you can do by law. You can set up machinery that will make it easier for people who are not inclined to get along together to soften their blows. That is what you do, pad their gloves a little more. It may be necessary to have a referee in order to do that, but, in the last analysis, labor relationships begin down in the last department of the plant between the foreman and the employee. If the foreman, who is representative of management, and the employee get along, you won't have any difficulty in that department. But if they don't get along, then the employee wants to have the right to take it up somewhere else. That is called collective bargaining if it is done through representatives. The foreman resents that. He wants to have his own way, and, as I said before, nobody can have his own way without using coercion, so you get a reaction against the foreman's coercion maybe, and then you have trouble starting. It spreads back to management, which backs the foreman, with somebody else backing some other person, and so it goes.

So I believe where we want to start on this thing is down in the departments with the foreman, No. 1.

No. 2, let's look at these matters philosophically. Let us make our decisions on the basis of principles rather than on the basis of our emotions. Let us, as we look at the picture, make up our minds that there is only one way in which we can have respectable relationships with anybody, whether it be with our families, our customers, or no matter whom, which is on the basis of mutual confidence. You cannot have the confidence of employees, except to the extent that your employees are in your confidence.

I want to say here and now that when I hear an employer raving because his employees have joined the union, or he is worried



for fear they will, and gets all excited and runs around doing foolish things, I make up my mind then that, if the union is organizing, they are going to be successful, because if he hasn't any more confidence in himself and his organization in handling the situation; if he hasn't any more confidence in his employees than to believe they are going to be different because they stick a button on and join the union, then there is something there he had better worry about. What difference does it make to the employer whether his employees belong to a union or not? If he has their confidence and they have his confidence, they can get along together. If they can't, there is something wrong.

We have all kinds of conditions in our company. We are dealing with an exclusive bargaining agency in seven plants, C.I.O. Incidentally, those letters don't make the hair rise on the back of my neck one bit because I know a number of fellows who are affiliated with the C.I.O. I know a number in the A.F. of L. There are no gods or angels in either group, just common, ordinary fellows, a cross-section such as you might find in this room, in banks, or among clergymen.

In other plants the C.I.O. union is in the minority. We have in some plants C.I.O. and A.F. of L. We have one or two plants without any union activity whatsoever. So it is rather a conglomeration. You can't write any ticket or any procedure on how to handle it, except this: In our company—I am going to try to impress this on the industrialists here—we are going to get about the type of labor leadership that we develop by our own actions. If, in dealing with labor organizations, we are ethical, are entitled to the confidence of people, use fair tactics and use friendly attitudes, we will get that in return; if we are going to be militant, use underhanded tactics, and fight all the time, that is the type of organized labor leader we will get. So I think we all must realize that, where we are dealing with organized labor, we are going to get about the type of leadership that we are ourselves.

We have had some rather interesting and amusing experiences. One thing I learned when I was very young is that, when you are dealing with a touchy situation affecting a group of people, don't get too logical or technical or legal. Don't make too many state-

ments because sometimes they are dry eating and are likely to give you indigestion. Don't make unnecessary issues. Don't make issues that you are not willing to go all the way through with, and when I say that I mean all the way. I don't mean closing the plant temporarily, and so forth. If you make an issue, be sure it is one you will go out of business on. Otherwise, sit down and talk about it.

We deal with the Wagner Act quite realistically. I understand there are no penalties in the Wagner Act, so I don't assume I'll go to jail if a complaint is made against me for the statement I am now going to make. We have dealt with the union as the sole collective bargaining agency when we knew very well they were in the minority, but I don't believe anyone is going to jail for that. We have never refused to deal with the union as the exclusive bargaining agency when we had reason to suppose they were in the majority. We have taken the attitude that we wanted to cooperate with our government to the extent of not piling up more cases before the National Labor Relations Board. Whenever the union has had any substantial number of people, we have recognized the union as a bargaining agency. Whenever we have had reasonable grounds to suppose they had a majority, we have dealt with them exclusively.

We have probably been different. I know a number of people in industry who don't agree with me. I will give you a little idea of the tactics some of our managements (I haven't had anything to do with it) have adopted in dealing with this union situation. Take a plant located in a small town, where the morning newspaper comes out with pictures of four or five men who have been elected president, business agent, secretary, financial treasurer, and so on, of a union—all employees of the plant. Those fellows have never had their pictures in the paper before, and they don't know what to make of it. There are two ways you can handle that situation. One is to let the fellows go to work in the plant the next morning, and look at them as though they have the smallpox. That frequently happens. The other way is to call that group of men into the manager's office and say, "We notice you have organized Local No. So-and-so of the So-and-so Union.

From here on you are going to be a factor in this situation. For heaven's sake, if you are going to be a factor in the situation, all we want to do is to find out how we are going along together. If you are going ahead with organization work here, you are going to try to organize a group of employees. That is your job. We, as management, of course will not in any way interfere with that, except when it interferes with the business. Therefore, why don't we agree when the organizing work will be done? Would you like to meet with the management at regular intervals, know what is going on, and talk it out with them?"

In other words, be realistic about it. If you have a union organization in your plant, there is no use ignoring it and failing to see it. You have it there with you. Why not utilize the union organization as it comes in to build confidence on the part of that organization, on the part of your employees, on the part of the public, and on the part of the nation generally? Use it as one other avenue to demonstrate that industry has character, has intelligence, has integrity, and is entitled to the confidence not only of its own employees but of organized labor and the public generally.

## BUSINESS AS A SOCIAL INSTITUTION

T. NORTH WHITEHEAD

**A**BOUT two years ago a large firm of tea merchants had an unexpected rush of orders which lasted for several months. This firm had a well-deserved reputation for its labor policies and its labor relations. The whole firm was working overtime, night after night, and the manual workers were paid for their extra work, while the office staff was working overtime for no increase of wages. Being humane employers, the senior executives devised a system by which the office staff should be paid overtime in very much the same manner as the manual workers. When the details had been worked out, they were announced to the office staff who responded to this gesture by threatening to walk out of the building. The office staff was outraged. Why?

Here was a management acting from a combination of humanitarian and economic motives. It wished to acknowledge the loyal work of the office staff, and, in doing so, these executives behaved like logical men and remembered that men and women work for money; they assumed the office staff to be "economic men and women." In doing this, the executives had evidently failed to understand the full range of sentiments of their staff.

The fact is that employees are not, in any narrow sense, working for their bare wages. Of course, they work for wages; they must have wages. So much is clear. But people are more than economic beings. When they go into their offices or to their benches to work, they do not leave their human nature behind them; they do not enter the walls of industry armed only with logical apparatus and physical skill. The whole man goes to work. More than that, the whole *social* man goes to work; that is to say, the man with all his human relationships; the feelings and the thoughts that he has for other people, his own fears and hopes for himself. A man's relations within the family and within his com-

munity are by no means irrelevant to his work within the walls of industry.

There is this peculiarity about human relationships; not only do they bind people together but they are always based on distinctions. It is not true that every man in the country is bound to every other man on a basis of undifferentiated equality. On the contrary, society is built up of small family-like groups at the bottom of the scale, and they themselves build up into bigger groups. In understanding our social life, the distinctions between the various groupings are as important and significant as the bonds which exist between them.

When an employer offered his white-collared workers overtime pay, he was, in effect, denying a distinction in the minds of everybody between white-collared groups and groups of manual laborers. He was denying a fundamental distinction in our economic society, and he outraged every man and woman in his office. It took this employer nearly a year to find an acceptable way, and an acceptable set of terms through which his white-collared workers could be recompensed in proportion to their labors. He had started by ignoring their social situations within his own firm. He was thinking about men and women, each in a vacuum, but he was not thinking of them in their relations to one another.

The whole social man goes to work. Not only does he bring with him his social relationships from outside, his family, his church, etc., but he assists in building up a social structure within the plant itself; for every plant is a small society, with its vital distinctions and its equally vital bonds between its groups. Every executive knows the danger of disturbing the relations between these working groups by, let us say, ignoring the pay differentials which symbolize and help to maintain them.

The failure to take account of social structure within a firm, as our chairman pointed out, a few moments ago, results in immediate resistance to the leadership of management; a resistance which expresses itself as a repudiation of change, in so far as that change is being initiated by management. Resistance to change takes many forms. It sometimes appears as restriction of output, planned or unplanned, more or less conscious or unconscious. It

may show itself in the form of strikes, or in organization of an unfriendly nature, or merely in unorganized dissatisfactions. In one shape or another, if any group of men and women feels its way of life threatened by leaders, then those leaders will be, in some important sense, repudiated.

The need for stable human relations is a very fundamental one; every detailed arrangement in every plant symbolizes and affects the social relations between people and groups of people. Every physical thing in the plant, every work procedure, and every order or custom carries with it its social significance. Let me give you what may seem to be a rather trivial example. Not long ago a young accountant told me that the lighting over his desk was poor and badly arranged. I never saw his desk, but I have no doubt he was quite correct. He told me that as a result of this, he went home every evening with a severe headache. I could not help recollecting that I was brought up in an old farmhouse, with no electric lights within miles of us. We used candles and a rather unsafe kind of oil lamp. I am talking now of thirty to forty years ago, but I am perfectly certain that this accountant's light was far better than anything I had experienced as a child; nevertheless, this accountant had a headache every evening, but he added this comment, "I was burnt up every night when I thought of the meanness of my employer." Of course, lighting should not be inadequate, that is granted, but I am left wondering whether his headache is to be explained on physical grounds or because of the human implications of that light to him. The basic need, at all times, and for everybody, is social security; the need to have and to maintain satisfying human relations within stable groups and in a stable society. This is real social security. It is something more than economic security, although economic security is obviously a very real part of social security. Without the former there can be little security of any kind; but purchasing power in itself does not insure an adequate measure of purposeful and interesting human relationships.

We are all taught to admire "rugged individualism," and I have no doubt it is something to be admired. Rugged individualists interest me, and I have observed that they are most often to be

seen in the wealthy classes; in the socially privileged classes of society. In other words, so long as our position in society is secure, we can enjoy the enormous luxury of being individualists. We would all like to be individualists, but the first prerequisite for a rugged individualist is that he should be securely set in a worthwhile and stable society. Disintegrated societies are not rich in rugged individualists. In unstable societies, one finds frightened people herding together trying to find stability somewhere in human relationships.

I suppose the fundamental need of human relations is a commonplace to every man and woman, yet the curious fact remains that so many problems in life, and especially in industrial life, are discussed in exclusively economic or technical terms with no explicit attention to the need for preserving the social integrity of the groups involved. Here is an instance. The Premier Furniture Company (fictitious name) manufactured wooden furniture. This company was bought up by a somewhat larger enterprise, operating in the same city. The Premier Furniture Company manufactured high-grade and well-made furniture. A large part of its manual force was composed of skilled cabinet-makers with long experience in the firm. These skilled cabinet-makers owned their own hand tools; the average value of most of these tool bags varied from two hundred to four hundred dollars—a very large investment. Of course, I don't need to remind you that there are other ways of obtaining tools than buying them in the open market. There is such a thing as "winning" tools; but, making all due allowances, those men had spent a substantial amount on their tools, and they were justly proud of them. These men lunched together, day after day, and had vigorous discussions on the merits of the various brands of tools which each man patronized. Of course, they never agreed. There were lively discussions as to the best way of keeping tools sharp, and, as everyone knows, the sharpening of a carpenter's tool is a tricky affair, surrounded with mystery. Each man was proud of his skill and proud of his tools. They symbolized for him his personal achievement, and his social and economic status. These men formed a small working group bound together by common pride of skill and ownership

and pride in their firm and in its product. This firm was bought up by a rather larger manufacturer selling a cheaper grade of wooden furniture. The carpenters in this latter firm did not own their hand tools. Tools were kept in a central storeroom, and each man was supplied with these as specified on his working sheet.

When this larger company bought up the Premier Furniture Company, a discussion arose between the executives of the two, plants as to whether the Premier Furniture Company employees should be allowed to work with their own hand tools, or whether a central store should not be set up in this small firm. Each plant was to continue operating as a separate unit, so the effect of the financial amalgamation did not, in itself, necessitate the changing of a long-established custom. The discussion proceeded on the highest logical plane. It was argued by the larger firm that a central storeroom could be stocked with the best brand of tools, whereas individual cabinet-makers could not be expected to know which brands were superior to others. Certainly the storekeeper, a skilled man in this matter, would keep the tools in the best of condition. All the arguments adduced on this side pointed to the advantage of a central plant control. The Premier Furniture Company found it difficult to refute these arguments. They objected roundly to a central storeroom but gave no convincing arguments.

Most people acquainted with skilled cabinet-makers would agree that the arguments adduced in favor of a central storeroom for carpenters hand tools are mostly nonsensical. Any good brand of chisel is the right chisel for the man who prefers it, and a skilled cabinet-maker is the last man to buy poor tools, or to use his tools improperly sharpened. There was no sufficient technical ground for the elimination of individually owned hand tools, nor was that the real question at issue. The fundamental issue was an emotional one and concerned the relations between two working groups who had been thrown into violent contact as a result of a financial transaction. The larger firm was insisting that the employees of the Premier Furniture Company should not be allowed to maintain the symbols of their superior prides and skills. They were insisting that these cabinet-makers should be-



have in a manner similar to their own labor force. The Premier Furniture Company was pleading to maintain its own way of life; it was, in fact, fighting for its social security. Neither side ever mentioned the real matter under dispute, and, of course, they never got together on it.

People associate and work together in virtue of understood social routines, common customs, and long-established relations. It is on the basis of these common understandings, these ways of life, that men and women can work together; and so it is not surprising that people should object very violently to a disturbance in their way of life, for this is the only framework in which they can display wisdom in action. This is true on the large, as well as on the small, scale. Japan and China are fighting about their ways of life. The civil war in Spain concerns alternative ways of life. The disturbed state of Europe is related to alternative ways of life. When the way of life conflicts with an economic consideration, the latter will verbally be given the place of honor, but more usually it is the way of life that wins out in the end. If a social system is not economically efficient, the result will be a mess; but it is very rare that a human organization can be changed on the basis of economic considerations alone. People must be led to an economically efficient organization in terms of their own loyalty and their own social wisdom; mere logic is not enough. The following is a small-scale demonstration of this very fact.

In 1920 a small textile plant shut down one of its shops for lack of orders. With three exceptions, everyone within that shop was laid off. The foreman of the shop was, in the thinking of the management, a good supervisor and a fine fellow; he had been with the firm for a number of years. The same thing applied to two of the leading hands. These three men were kept on, but since they had no department to supervise, they were demoted to the ranks for the time being. The foreman was dismissed three or four months later for habitual drunkenness and insubordination, while the two leading hands got into trouble of the same character. Here was a logical solution which would offer these three men some measure of economic security through a time of moderate and probably temporary depression. Why did these men fail

to accept the situation? They did mean to accept it, but it threatened their whole social status. It is difficult for a demoted superintendent to explain to his family and friends that demotion in his case was an appropriate outcome of his success as a foreman. These men failed to readjust themselves to their new positions in the plant. Their whole social structure had been violated, with the result that they went to pieces. This is a quite typical instance.

Management is always initiating change in its plant, necessarily for logical, economic reasons; but a wise management will introduce change in such a way as to be compatible with the sentiments, loyalties, and the ideas of right and wrong of those who will be affected by that change. Merely economic argument is not enough. It may be an imperative argument, but the form of the change must be such that the workers' ways of life are not thereby offended. The following is an instance in which the management of the firm rather drastically reorganized two of its departments for the common economic benefit of the firm and its workers.

This firm, among other things, manufactured two products; a summer product and a winter product which were similar in many respects. However, certain of the operations were different, and one department performed a certain operation on the summer product, while another department performed a different kind of operation on the winter product. For these two departments, both manned by women, the firm, in effect, had two labor forces: one labor force which made the summer product was laid off, as I remember, about June; the force in the other department was hired at about the time the other one was going off; it worked on the winter product. It seems that these women rarely or never got steady employment until the beginning of their season came round again. From the point of view of the firm the situation was also unsatisfactory, for they never got quite the same girls back again. Often their particular employees went to some other firm, and the other firm's employees came to them; with the result that the firm was always in the position of having to train new girls. Some of the girls were quite unskilled, and even those who knew

their jobs were ignorant of the firm's ways and had no particular loyalty toward it. It was noticed that the sum total of the labor force of these two departments was about constant all the year round. So, a rather natural solution occurred to the management. The best workers in these two departments were to be trained in a double skill so that instead of having two labor forces, each being laid off for six months of the year, there would be only one force moving from one department to the other. That sounds quite simple.

The work required for the summer product was of a relatively skilled nature and involved the tending of machinery. The hourly rates were fairly high, but the work was not very regular even during the busy season. The department handling the winter products involved less skilled handwork, and somewhat a lower hourly rate, but, since the work was steady, the typical weekly pay check was higher in the summer department. The girls in the less-skilled winter department were delighted with the proposed arrangement. They recognized that they would get less money when working in the summer department, but that, after all, was better than getting nothing at all. The girls in the skilled summer department objected to the scheme. It was true that when working in the winter department their weekly earnings would be raised, and this was an alternative to being laid off, but their hourly rate in the winter department was lower than that to which they had been accustomed. Moreover, they were asked to undertake work which carried a lower prestige than their regular occupation. It took considerable time for this firm to persuade their best girls to accept a plan which would provide them with economic security at some risk, in their own thinking, to their social position. These girls, as they thought, were being demoted every six months, and they disliked the implication. Finally, the management persuaded these girls that there was particular pride and prestige in having more than one skill at one's finger tips. Then other sentiments developed, connected with the advantages of a fairly steady annual income, and the loyalties which are formed when people identify themselves in a permanent way with one particular institution. This is an interesting instance of the im-

portance of social sentiment because the girls involved stood to gain and, in an economic sense, the more-skilled girls stood to gain most; although it was from these latter that resistance developed. The human framework in which each of us lives does not merely consist of haphazard relationships between a variety of people; it has a stable structure which is very meaningful to those within it, a structure which had to be handled with great skills in this particular instance before a logically adequate plan could be introduced without disruption.

I will give an instance in which what seemed to be a good policy on the part of a management had finally to be modified just because it interfered with the human relations of the workers within the plant. This instance concerns a firm manufacturing mechanical apparatus for the consumer market. The management set up a suggestion plan for its employees about twelve years ago by which the latter would be encouraged to make suggestions for the improvement of any process or organization within the plant. Suggestions were examined by a regular committee appointed for the purpose; when a suggestion was accepted, a sum of money was awarded to the man who had made it. The awards, together with the name of the successful employees, were publicly posted. Several advantages were expected from this arrangement. The firm hoped to obtain some technical improvements, but that was thought to be one of the least important aspects. It was believed that this plan would give the employees an added interest in the firm; again the plan might assist management in picking out possible candidates for subsequent promotion from among the labor forces. Such a plan can easily act as a device for expressing grievances in a constructive manner; a faulty arrangement can be indicated negatively as a grievance, or positively, by means of a suggestion for its improvement. By making it easy for the employees to suggest a means of improving any situation, it was believed that healthy co-operation between management and labor would be promoted. This suggestion plan was in operation for about eight years and encountered increasing difficulties as time went on. Finally, it became necessary to omit the names of those receiving awards, although the management believed that a failure

to post these names publicly would deprive the plan of much of its force. The following are some of the reasons which led to this decision, and I want you to notice particularly that these reasons are all concerned with the problem of human relations.

One effect of posting an employee's name publicly was to make him unpopular with his associates; for one effect of most worthwhile suggestions is to cheapen a particular process. Such suggestions are very likely to throw somebody out of employment, or, at least, to simplify somebody's job. Naturally, such results would not make the author of the suggestion a popular colleague. Again it was found that foremen were likely to take exception to men who made suggestions. The foremen were very likely to take a suggestion as an implied criticism of their own management. Another difficulty arose. As soon as a man was posted as receiving an award, all at once his creditors came down on the top of him. Among other things, the firm itself was badgered by these creditors to effect a settlement before handing the award to the employee. Yet, again, feeling often arose within a shop if one man made a suggestion because others genuinely believed that they had had some part in working out the improvement; whereas the applicant had taken the whole credit to himself. It is easy to see how that would be, because ideas often arise as a result of conversation within a group of people. Please notice all the difficulties given above are connected with human relations; and, as a result of those difficulties, the suggestion plan as originally set up had to be abandoned.

I have been illustrating a fundamental need for human relations, just as vital in industry as anywhere else. I suppose the need is for a rich experience of human interaction—not all of it verbal—within an orderly social framework. If one watches two mechanics who have worked together for some years, and are obviously experiencing a real pride and pleasure in their combined work, they don't say much to each other, but they display an uncanny capacity to pull together. Each man knows what the other will do and adjusts himself to that situation. A great deal of the most meaningful companionship has very little to do with verbalized speech. It is the interlocking of skills, the working together,

which is the basis of an integrated firm's society. The need is to enter into a number of stable relations with people in a worthwhile situation.

I suppose one of the noticeable features of our industrial civilization, a characteristic which our chairman has pointed out, is that it has tended to make human relations in the community a far less stable affair than it was in many preindustrial eras. We usually do not find our life's work within a hundred miles of where we were born; we tend to move from one place to another at short intervals. I suppose that few men in this room know their next-door neighbors. That is not a picture of a stable society. To the degree in which the community is losing its social stability, there comes an urgent need to find human relationship in the working situation; thus, for industrial workers, many of their most meaningful associations are to be found within the walls of their plants. It is there that many of us experience our most stable society, apart from our immediate families. This throws an increasing responsibility on industry, and especially on the individual firm in a day when industry has been guided more by technical engineering requirements than by human needs.

The poverty of human relationship in many industrial cities is no myth. I don't know how many of you have studied the series of investigations which have been going on at the University of Chicago for a number of years in the department of sociology. The name of Professor Park, now retired, occurs to us at once, as well as those of Professor Burgess and his immediate associates. These scientists have conducted a series of studies of city life, specifically in Chicago. Their findings clearly indicate the social insecurity, the poverty of human relations, which is to be found in that city, as in most of the large industrial areas. These sociologists have made detailed studies of some of the ethnic groups to be found in Chicago. Each group tends to live in little pools of their own original nationality; they still tend to maintain their habits and customs which they brought with them from Europe. These customs obviously decay, for they relate to nothing relevant to their immediate situation in Chicago. The second generation of these ethnic groups are torn between the ways of life of

their parents and the larger American life going on all around them. The same thing is visible at the boundary between two ethnic groups, usually along a street. It is at these boundaries that so many criminals are to be found. I cannot hope to describe, even briefly, the many studies which have been going forward in this university, but they all emphasize the need of stable human relations for individual mental health and for the social stability of the community; they also emphasize the lack of just these things in large industrial areas.

In a quite peculiar sense, a modern firm has the responsibility of providing the most stable and worth-while society which most of its employees can experience. This responsibility does not arise from some vague ethical creed but from the urgent need for the firm to have satisfied stable personalities within it in order to achieve economic success.

A real danger to the morale of a firm lies in the high logical training of its management. Managements are prone to think in terms of the logic of efficiency; they must do this in order to survive. But if this admirable logic does not include the observable facts of human relationship within its scope, then the final effect is likely to be a firm magnificently organized on paper but failing in practice, owing to a disintegration in its human relations. It is still not unusual to find firms which have elaborated no techniques and have no personnel trained for the observation of social ways within its plant. In such firms the procedures of management will almost certainly be breaking down human collaboration by inadvertence. This results in alarmed workers. When a worker is alarmed in this fashion, he does not diagnose his malady, or its cause (after all, he is no psychologist); he does exactly what his seniors have taught him to do; he rationalizes his emotions in terms of logic. Such workers will demand shorter hours and will ask for higher wages; they won't look at balance sheets even if you show them. An alarmed worker is not interested in balance sheets. He is trying to tell you that he is fearful for his social (not necessarily economic) security, but he cannot put it that way. He talks in terms of economics, and you, the management, have impossible demands for wages and other economic condi-

tions on your hands. He is trying to tell you that somewhere the shoe is pinching, and it is for you, the management, to diagnose his condition.

I was very interested in an admirable address given this afternoon by Mr. Mertz, of Sears, Roebuck and Company, who remarked, "Employees will tell you their troubles if you give them the chance." He was himself inveighing against the overlogical approach of some managements; he was pointing out that, to the extent to which one listens to the employee's real situation, his home conditions, his relations with his friends, relations with his working group and with his supervisor, to that extent is it possible for a firm to design its logical procedures in such a fashion as not to break down human relationships, or to offend the customs and the sense of justice of the employees.

A large department store was faced with a high turnover among its salesladies in some of its departments. The management of this store has a high reputation for its labor relations. Nevertheless, in certain departments there were signs of poor morale.

These salesladies were all allotted to certain counters or departments, but it was not possible for them always to work in their own departments owing to variations in sales activities, which resulted in slack and rush periods on different dates for different classes of goods. In consequence, these girls would be ordered from one department to another without notice; they would come in in the morning and find themselves ordered to some part of the store where they were, in effect, complete strangers. Many of these girls spent more time in departments which were strange to them than in their own locations. They never knew where they would be sent next; from their point of view, they were wandering round and round the store in a haphazard way, having no stable relations with anybody.

The management thought of this as representing a fine opportunity for these girls; they were getting experience in a wide variety of departments, learning a number of skills which would always stand them in good stead. Nevertheless, these girls gave notice; they personally were not able to diagnose their trouble, but they were ill-adjusted and dissatisfied. To repeat, emotional-



ly unadjusted people tend to express their emotion in the form of economic demands; but, conversely, a group with happy human relations will usually be reasonable and easy to handle. Surely everyone in this room could give examples of this; I will give you just one.

The work in a small ink factory consisted in the manufacture of various inks and several kinds of office paste. A large part of the firm's activity consisted in putting these liquids and pastes into bottles and tubes, and fixing on them bright-colored labels of the appropriate kind. These bottles and tubes were then put in cardboard boxes, and the boxes packed in cartons, with appropriate labels on each. Finally, the cartons were crated in odd lots to meet the retail demands. This second type of work was performed by girls in one shop. This shop was furnished with a number of tables. At each table sat a group of girls engaged in this manual work. The foreman was responsible for meeting the day's orders; this was a difficult job, as no two orders were alike, and he organized the work as best he could by shuffling the girls from table to table. As a result, a number of girls were always waiting for the next assignment. There was much lost time, and some inefficient work. The foreman tried a new procedure. He assigned one group of girls permanently to a given table, he told them that they were to work together as a team and that he would place on their table every morning a bundle of orders representing a fair day's work, and then he would leave it to them to organize this work among themselves. He agreed with the girls as to what a day's work would be; they decided on an assignment rather greater than the girls had previously been used to. The girls' daily rate was cut 5 per cent, but a 15 per cent bonus was promised them if they completed their assignment, after which they could go home. It was the belief of both the foreman and the girls that they could typically complete the daily job with a few minutes to spare. However, their work improved so greatly in efficiency that they habitually finished with thirty to sixty minutes to spare. After some days of this, the foreman approached them and congratulated them on their work but pointed out that, if they habitually left the plant so early in the afternoon, there would

surely be trouble with the other girls. The group was enjoying the exercise of its new responsibilities and chances for showing initiative and was also enjoying the stability of its relationships. These girls saw the sense of the foreman's remarks and willingly agreed to an increase in the day's assignment which should typically keep them at work until within a few minutes of closing time. A thoroughly happy group showed its sense of responsibility by collaborating with its foreman in the arrangement of its technical problems.

The technical and human problems which face each and every individual in industry are not to be separated; they represent different aspects of the total lives of the workers. These aspects are mutually dependent, one upon the other, and success in management can be achieved only when all the various threads making up a worker's life are handled as an organic whole.

ROUND-TABLE DISCUSSIONS  
SUPERVISORY TRAINING WITH SPECIAL REFER-  
ENCE TO EMPLOYER-EMPLOYEE  
RELATIONS

*Chairman: ALBERT E. PETERSON, Superintendent of Training  
Commonwealth Edison Company*

*HARRY P. WOOD (Director of Education and Training, Carnegie-Illinois Steel  
Company, South Works, Chicago, Illinois):*

The Carnegie-Illinois Steel Corporation in its Chicago District inaugurated its present series of supervisory conferences in March, 1936. Its management sought the advice of federal and state agencies. A series of ten conferences was held at each plant, one each day for two weeks, with a group of higher superintendents. This series "sold" the conference plan to these executives, for it acquainted each of them with the general method of conducting a conference. About the same time a group of hand-picked men were given instruction under an experienced leader to prepare them as conference leaders.

Under our plan the supervisory forces, general foremen, foremen, and assistant foremen are arranged in groups of twenty each. Each group meets in conference for one and one-half to two hours each day for ten meetings—getting the group conference "broken," with these first meetings. At such frequent intervals the members loosen up more readily and get accustomed to taking part. We then meet at intervals of one week, two weeks, or three weeks, according to an arranged schedule. The meetings are held on company time. One of the first lessons learned by the foreman is the necessity of delegating responsibility to the next in line, so that he may be away from a mill or shop and find that production goes on just as well without him.

We have generally used permanent leaders. That is, members of the staff of our Training Bureau. The room is so arranged that all group members sit around a U-shaped table with the leader at front right and within easy reach of the blackboard or paper charts used to write down the group's ideas as they are developed.

The leader states the topic for discussion and writes it on the chart—keeping it before the conference members. He may make a few introductory remarks to get the group started. As fast as points are made, he records them. He says as little as possible, himself.

We find the paper charts convenient, since at the end of the conference the sheets may be removed, carried to the office, edited, and given back to

the members for approval. Finally copies go to our general superintendent and certain officers of the corporation.

The following exhibit shows how the charts develop in a conference, and it is typical of a conference discussion on such a subject.

EXHIBIT NO. 1

TOPIC: "Are You a Leader?"

PURPOSE: (A) To establish the principles of leadership

(B) To apply leadership to particular situations

(C) To find ways of developing leadership qualities

After stating the purpose of the discussion, the leader puts the following definition on the blackboard: "Leadership is the ability to command the efforts of others—to get them to take your orders and suggestions willingly—to get them to work with you." It was agreed that this was a good definition of leadership. By discussion of this definition, the personal qualities which make for leadership were listed as follows:

QUALITIES OF A LEADER

1. A good personality. In discussing this point, personality was considered to depend upon four major factors: (a) the way a man deals with people; (b) the way a man deals with ideas; (c) the way a man deals with things; and (d) the way a man deals with himself. The factors are: (1) social, (2) intellectual, (3) practical, and (4) character
2. Must have initiative—to be able to meet emergencies
3. Must know his business—this is valuable in obtaining the confidence of his men
4. Must have foresight
5. Must be courteous
6. Must know his men—take a real interest in them as men, not as just so much labor
7. Have a judicial mind
8. Stand for the "fair deal" for all
9. Have ability to instruct
10. Must be a salesman—sell himself to the men
11. Set a good example
12. Give ample credit where and when due
13. Eliminate fear from the minds of his men
14. Have moral courage

IN SUMMING UP, A LEADER

1. Knows his business
2. Has facility of expression
3. Has executive ability

4. Has an open mind
5. Has a fresh point of view—is free from traditional thinking
6. Has a good personality
7. Has a judicial mind

Comparing the old time "boss" with the present-day "leader," the following chart was developed:

THE "BOSS"	THE "LEADER"
1. Drives men	1. Coaches his men
2. Depends upon his authority	2. Depends upon the good will of his men
3. Says "I"	3. Says "We"
4. Inspires fear	4. Inspires enthusiasm
5. Says "Go"	5. Says "Let's go"
6. Makes work a drudgery	6. Makes work interesting

Further discussion of the topic hinged upon the ability to give clear, concise orders—verbal or written.

The elements of a good order are considered to be:

1. Who is to do the job—select the man, fix responsibility?
2. What is to be done?
3. When it is to be done
4. How it is to be done—(In some cases)
5. Why it is to be done
6. Where it is to be done

Back check on these points when giving an order or issuing instructions.

In the choice of topics we will be guided by the advisory council consisting of some six or eight departmental superintendents. Thus far we have covered a number of personnel subjects such as:

- |                                |   |
|--------------------------------|---|
| 1. Men are first               | 6. Maintaining morale                       |
| 2. Straight thinking           | 7. Undesirable traits                       |
| 3. Safety                      | 8. Mainspring of labor trouble              |
| 4. Timekeeping policies        | 9. Employment policies                      |
| 5. Giving and receiving orders | 10. Fundamentals of good labor relationship |

We have also found it desirable to spend several conferences on current topics such as the "Social Security Act," the "Wagner Bill," and our company policy as put out in a pamphlet entitled *Instructions to Supervisory Forces*.

This season we have started conferences on "Seniority" and "Qualifications" as related to the problems of promotion, lay-off, or rehiring.

We will develop into a series of conferences on management and on production and operating problems.

Our Sheet and Tin Mill is the latest comer to our corporation—the baby. Owing to the rapid reorganization desired, the advisory council at that mill

and the director of training, through the superintendent of industrial relations, have carried through a series of conferences that I have been asked by my colleagues to mention.

1. *Steel inspector's conference.*—In the manufacture of sheet and tin plate, inspection is continuous through all operations. The production men are interested in getting out the tonnage, and the inspectors must see that quality is maintained. The responsibility and authority for stopping a mill at the first sign of a defect must be clear, between the inspection and production departments. Conferences of the chief inspector, assistant chief, and the inspector foremen were held, and, as a result, booklets have been produced. *The Manual of Operation* gives a running picture of the manufacturing process. *Steel Standard* sets up the standard for each department and lists the defects that may be encountered.

2. *Plant protection conference.*—Owing to the general reorganization necessary in combining the sheet and tin mills and in taking both into the corporation, it was found advisable to hold a series of conferences with the supervisor of plant police, his turn supervisor, gatemen, and watchmen.

The report of these series of conferences constitutes a handbook for the department and details the duties of each man; specifies the zones and beats; gives the location of fire-alarm boxes; of fire hydrants; of stretchers, and of ambulance stations. It is a thorough training manual in the responsibilities and duties of each man in the department. Some of the subjects discussed may be of interest:

1. What do we need to make our organization function?
2. A sample patrolman's report made out in detail as a guide in making this report
3. What information do we need to do the job that is to be done?
4. General information about police duties
5. Methods of securing information needed
6. How to induct a man into the plant
7. What we need to know about the fire department and many others

In conclusion, the following statements have been made by supervisors: The conferences have:

"Helped me co-operate with other departments"

"Shown me how to give more uniform consideration and treatment to my men"

"Made me realize, more fully, my duty to the men under me"

"Caused me to make it a standing rule with myself never to make a request, issue an order, or order work done, without going into detail on the nature of the work or service to be rendered, so that there will be no misunderstanding"

"Caused me to pay more attention to the new man"

"Taught me the value of safety"

More than one employee has jokingly and seriously asked what we were doing to the supervisors to make them more considerate in their dealings with the men. We can attribute any such improvement to the lessons learned in discussions with their fellow-supervisors in conference.

**PAUL A. MERTZ** (*Director of Company Training, Sears, Roebuck and Company*):

- I. There is no point in attempting to develop morale or good employer-employee relations through the training process unless the personnel and other policies of the business are fair, honest, appealing to the worker as intelligent and reasonable, and are socially justifiable and desirable.
- II. Many factors in morale development are rather a part of the broad-gauge program of personnel administration than something accomplished solely or mainly through the process of education. Examples of such in Sears, Roebuck and Company are our profit-sharing and pension plan, group insurance, paid vacations, sickness and absence allowance on a longer absence basis than in most companies and without the assistance of a mutual benefit association, employee discount on purchases for own or family use, credit on purchases, employee loans for emergency—credit unions in some cities—the open door on grievances from the president's office down; use of commission and bonus methods of payment; a rigidly adhered to program of promotion from within, made possible through a comprehensive training program; suggestion systems, and prize contests. A company-wide newspaper in tabloid form is also a factor in building company pride and interest.
- III. On the training side there is no formally set program that has as its main objective better employer-employee relations. We believe that these are a major by-product of many forms of training and the broad personnel program indicated above. Yet the educational program can make major contributions, for in many instances morale is largely dependent upon job knowledge, absence of misunderstanding, company pride, and knowledge of and sympathy with policies that can be effected through training directly. The factor of supervision is also susceptible to educational treatment, and, where there is an element of danger in work, the self-confidence born of knowledge and how to protect one's self takes the element of fear out of the emotional state known as bad morale.
- IV. A large part of retail training functions as supervisory review, as well as for rank-and-file training in attitudes. Training devices used by Sears either in mail order or in retail or in both that contribute to better employer-employee relations are:
  1. Written standard-practice instructions that leave little room for misunderstanding
  2. Handbooks for individual employees covering policy and practice, largely extracted from the basic standard-practice instructions

3. Weekly schools and/or store meetings where practice and policy are discussed pro and con
4. Explanation of the company financial statement to employees by the president of the company, in address at headquarters, later distributed to all stores
5. The Sears Forum for the headquarters and Chicago mail-order and retail organizations
6. The film program: Examples.—Why we have mail-order desks in retail stores; how is promotion carried on from within, and how does one get advancement or promotion; "In Step with Progress"
7. (Concurrently) An effort to compile pet peeves as well as a list of the conditions necessary for good morale as an executive reference handbook for discussion with "straw bosses"
8. "Foreman conferences" in mail-order plants
9. Distribution of bibliography on management, handling men, etc. Sold 1,900 copies of Dale Carnegie's book to our executives and junior executive personnel
10. Use of posters as reminders and to motivate right thinking

As indicated above, we depend on a broad-gauge personnel program for good employer-employee relations; the training programs are generally for other specific objectives, but are usually so built that improved morale and better employer-employee relations are thereby established.

**F. M. PEPPER** (*General Plant Employment Supervisor, Illinois Bell Telephone Company*):

The essential considerations in those management functions which are concerned with securing good employee relations are no different from those management functions which are concerned with securing the product for which the industry is organized. In the consideration of the question of supervisory training as an agency for good employee relations, we should consider the broad question of securing effective supervision for the job as a whole. When the job as a whole is well done, employee relations will be good. A good all-around balanced job of supervision can only be secured by a supervisory staff which is: (1) composed of people who have inherent qualifications for leadership; (2) organized and directed so that a good job can be done; and (3) thoroughly trained in the technical processes to be supervised and in effective supervisory procedures.

Mr. Tead, in his book on leadership, lists ten qualities, namely: (1) physical and nervous energy, (2) a sense of purpose and direction, (3) enthusiasm, (4) friendliness and affection, (5) integrity, (6) technical mastery, (7) decisiveness, (8) intelligence, (9) teaching skill, and (10) faith. This is a rather broad list of desirable human attributes, and Mr. Tead suggests it only as a sort of "synthetic model" of the ideal leader. It is to be observed that but two of the ten—namely, technical mastery and teaching skill—are



in the category of skills, that is, processes which are directly teachable. The others, whether or not they are native or acquired traits, at least are fairly well fixed at maturity.

Aptitude for any kind of a job is always difficult to detect, and this is particularly true of supervisory aptitude. Many so-called tests and plans have been developed to assist in an attempt to detect aptitude, but perhaps there is no general yardstick by which supervisory aptitude may be measured or detected in an inexperienced man. However, one great step in improving these selections will have been made when management knows exactly what each supervisor is required to do.

After the selection of a supervisor has been made, management must then be sure that the operating procedure of the organization is such that effective supervision is possible. This brings to consideration such things as: Is there time to supervise? How many men in a given operation can be supervised by one foreman; and how much supervision at the second and other levels is needed? What are the duties of the various foremen and supervisors in addition to purely supervisory functions? Care must be taken that supervision is not taken too much for granted. Much attention has been paid in the last few years to the vocational training of workmen. I believe it is a reasonable assumption that we are approaching the limit of improved effectiveness from this process unless some concerted effort is devoted to supervisory training.

As with the workman and foreman, the positions of higher supervision do not warrant any assumptions concerning their aptitude for learning what they should know about the job of supervising men, or the degree of initiative they will exercise in getting it for themselves. In a complex industry, then, no one can be spared from the need of planned training.

The majority of so-called supervisory training courses are more or less inspirational in type. They tell what the foreman or supervisor should do; they indicate what kind of a boss he should be; and they inspire, but they tell little as to how to do it. It is safe to assume that the great majority of supervisors of all ranks want to be good supervisors. Too often they find themselves in the embarrassing position of not knowing how to do something they earnestly desire to do. Their deficiency lies not in inspiration but unfortunately in education.

The value or cost of production must be reckoned in terms of total cost. This cost must include supervisory errors as well as technical errors. Supervisory errors may and do result in lost time, damaged tools, and wasted materials, but greater by far than this in the final analysis these supervisory errors result in labor turnover, indifference, lowered force morale, and poor employer-employee relations.

I have no short-cut methods to advise in the matter of training the supervisory personnel. It is a long, tedious process. Aside from the technical

features of the supervisor's job, there does not seem to be any general formula. There is, of course, some similarity of procedure of directing the work of any man on any job; but different industries employ such different types of people, under such a wide variety of circumstances, and place such a divergence of requirements upon them, that the problem of supervisory training in its more comprehensive aspects is peculiar to each type of industry. I could advise nothing but to study your job. Discard any previous notions as to how the job is being or should be supervised and go out and see how it is being supervised. Analyze the procedures of the foreman and supervisor. Compare them and winnow the good from the bad. Look upon supervision as a process in itself, and see how best to direct the work with your people. From all these observations, distill the best you can find as the genesis of supervision. It is your text material for your supervisory training course.

We went at the job of building a supervisory training course as follows: Some very carefully selected and trained observers were sent into the field, after proper initial preparatory steps had been taken to prepare the field, and a sufficient number of supervisors were observed on the actual job to get what we believe to be a fair cross-section view of the type of supervisory job being done. The notes of the observers provided us with an unlimited amount of case material—good and bad. Through an analysis of the notes made by the field observers, we have set up as subjects for a training course the following items or, as we call them, "Elements of Supervision":

1. Planning supervisory activities
2. Force requirements and adjustments.
3. The production job
4. Assigning and directing men
5. Inspecting and sampling
6. Employment and progress
7. Training
8. Personnel relations
9. Public relations
10. Health betterment and accident prevention
11. Tools and materials
12. Records and reports

We believe that, if we can improve our supervisory force from the superintendent down to and including the first line foreman in these twelve important items, we may reasonably expect a decided improvement in our supervisory effort. This will not only reflect in the way of lowered cost and increased production but will also provide a sound logical method of promoting good employee relations.

## INDUSTRIAL ADJUSTMENT TO SOCIAL SECURITY LEGISLATION

*Chairman:* ARTHUR S. HANSEN, *Consulting Actuary*

Social security legislation requires adjustment by industry in three different categories, namely, (a) in a financial aspect by requiring taxes, (b) in an accounting aspect by requiring enormous amounts of detailed information, and (c) in a personnel aspect by affecting employee relations, benefit plans, and almost every industrial relations policy.

The tax and accounting problem are much more apparent than the industrial relations problems. The legal or accounting departments of many concerns have therefore assumed the responsibility of the adjustment. A proper adjustment, however, lies deeper than either the accounting requirements or legal interpretations; it involves basic industrial relations policies. While the co-operation of the financial and accounting departments is necessary and desirable, the final responsibility of the adjustment is on the industrial relations department. It is not only a problem of immediate cost but one of the relation between immediate cost and benefits to the employee and the employer. The burden is on the industrial relations department.

From an unemployment compensation viewpoint it becomes necessary to consider stabilization of employment. This may require a reconsideration of the selection and training policies of employees as well as force planning and other devices for regularizing employment in order to avoid future taxes for this purpose.

From an old age benefit viewpoint it becomes necessary to reconsider the entire compensation problem. Compensation costs may be considered to include four elements, namely, basic wages, incentive payments for individual production above average, benefit payments arising out of individual risks, and bonuses depending upon profits of the company. It is necessary to revise the benefit payment plans and to reconsider the relationship with the other elements.

Many concerns had private pension plans in their program. They were installed for various reasons, such as (a) to make it possible to remove superannuated employees from pay rolls, (b) to reduce turnover and obtain better selection of employees because of more liberal policy and security offered, (c) to distribute profits of the company, (d) for purely philanthropic reasons, etc. The amounts of benefits and type of plan was designed to fit the cause for the plan. The original cause may still exist, or it may have changed. In any event, the old age benefit has changed the whole philosophy as well as

the effect of the plan. The old age benefit plan is based upon a broad social problem. Its advent requires more than a consideration of how, technically, the existing plans can be modified to produce the old results; it requires a complete reconsideration of the original causes and company policy with respect to the entire benefit program. The existence of the taxes and benefits not only affect the detailed provisions of the other existing benefit plans but also change the entire economic system and employee relationships so that the basis for consideration of such plans needs a new viewpoint. It becomes necessary to consider to what extent social security is to be provided and who is to provide it. While this subject could not be completely considered, the following indicates a few of the aspects considered in certain companies.

One concern which has been operating under a closed-shop union agreement for many years had previously no specific benefit plans for its employees. The management provided for specific cases as it felt desirable, but the union frowned upon any company activity in this matter. The union agreement, however, had for some years included (a) a requirement of 3 per cent of pay roll from the employer for an unemployment insurance fund and (b) a deduction from the employees of  $1\frac{1}{4}$  per cent of their pay for the same purpose which in effect was a check off. Upon the inception of the Illinois Unemployment Compensation Act, the company reduced its payment to the union in accordance with the agreement. The union now, however, is attempting to regain this lost payment for the purpose of providing a death and disability insurance plan. This may indicate a tendency for unions to attempt to take over the employee benefit plans of industry. It provides them with finances, the check-off system, and the ability to make payments to members. Since (a) federal social security old age and death benefits are inadequate, (b) the state unemployment compensation benefits will also be inadequate, and (c) there are no disability or other benefits, the unions have many reasons left as a basis for control.

One of the best means of having avoided such action in the past has probably been the creation of company plans and local employees mutual benefit associations.

Another concern upon the advent of social security realized the necessity of reconsidering the entire employee benefit plan situation and obtained a co-ordinated system based upon the changed conditions. This company had few union employees. The revised plan practically discontinued all plans existing on January 1, 1937, and instituted a co-ordinated employee security plan which provided a company service annuity to superannuated employees in addition to social security old age benefits, a disability benefit of approximately half-pay for a period, a death benefit to dependent beneficiaries of deceased employees, and a dismissal wage for employees whose service was terminated prior to eligibility for retirement.

No employee contributions were required for the company plan, as they

would have (a) complicated the plan, (b) increased the costs, (c) started agitation for increased wages to replace the lost cash, (d) made employees feel that they were paying for benefits causing them to try to control the activities, and (e) created a somewhat rigid system that would be difficult to adjust to the changes which must come in the federal plan. The benefits were made as liberal as they could and still limit cost to that which would be justified in terms of returns to the company in increased morale, efficiency, and other personnel costs. The contributory group insurance was discontinued by the company and transferred to the employees mutual benefit association as an employee activity.

By this program, the company (a) separated the employee activities from those of the company, (b) avoided several situations which would have involved increasing costs in the near future, and (c) created a flexible situation wherein, as (1) the Federal Social Security Act, (2) economic conditions, or (3) union activities changed in the future, adequate adjustments could be made with little loss or duplication.

While the conditions today require a complete reconsideration of the entire employee benefit problem, many items of importance were found to exist which indicate that the present conditions will not persist long into the future. Any present consideration, therefore, must be made in the light of the possible changes in the future.

The problem is one for the industrial relations personnel of industry to solve. The future situation will be determined by their actions. It is desirable, therefore, that they consider this problem thoroughly in order to establish proper precedents and not have such an important industrial relations job to be done by the legal, financial, or accounting departments.

## WAGE NEGOTIATION AND ADMINISTRATION UNDER OPEN-SHOP AND UNION CONDITIONS

*Chairman: JOHN W. RIEGEL, Director, Bureau of Industrial  
Relations, University of Michigan*

The chairman outlined several major aspects of the subject as follows: (1) wage surveys; (2) considerations affecting the establishment of basic hourly rates and standard hourly earnings; (3) rating and valuation of highly specialized jobs for which market quotations are not reliable; (4) compensation of the individual according to productivity, etc. (employee rating plans and incentive schemes); and (5) negotiation of basic rates with spokesmen for employee groups.

One company conducts market surveys semiannually among the companies in its class. The company has a bonus for supervisors based on savings of material, percentage of product rejects, and reduction of overhead expenses per unit of product. The employees reporting to a supervisor must earn a 15 per cent bonus before the supervisor receives a bonus. The employee bonus depends on the percentage of allowed time saved. This percentage is applied to the straight-time earnings of the employee for the period. Applied to group work, the percentage time saved by the group is applied to the earnings of each member of the group.

One member stated that, when methods have changed, the standard or basic rate should be increased somewhat so as to make employees receptive to improvements.

Another representative outlined experience over a number of years in dealing with a labor union. He has found no objection to piece work in many departments. In one department where standards are difficult to apply because of variations in work, there is effective a system of time allowances whereby output for four-week periods is compared to standard output. Each man during any four-week period is paid a rate which reflects his proficiency during the prior four-week period. The sliding scale does not provide rates of pay above or below standard which compare exactly with production. The union prefers that the rates for above-standard production be less than in proportion to that production, so that the rates for substandard workers are not so low as their strict production record might warrant.

Production standards have been set by the company and the union with reference to records of performance and opinion. Time study is used occasionally. Differences would be referred to arbitration, but this has not been

necessary for a number of years. Substandard workers are paid substandard rates according to special agreement with the union.

Zealous union representatives some years ago occasionally won rate concessions which put individual rates out of line. But these made trouble for them because unionists in adjacent sections demanded similar concessions. Union leaders now agree that wage differentials must be carefully set on the basis of skill, responsibility, etc.

The speaker stated that established unions come to see the considerable unity of interest between themselves and their employers, particularly in maintaining consumers' patronage.

Work specifications are made as clear cut as possible to avoid controversy over rates. The foreman interprets the specifications, but workers may complain through their union representatives. A new union may be overly technical at first with work specifications and rates, but its attitude is likely to change with experience.

The speaker stated that unions in his experience object to decreasing unit yields to the worker as production is increased. Efficiency schemes which cut piece rates as efficiency goes up are particularly objectionable to organized labor, whereas the straight-piece rate system is acceptable to a number of unions.

Another member emphasized the importance of job analysis and clear-cut duty statements as the foundation for job rating schemes.

The chairman illustrated job-rating procedure, showing how a rating scale for job valuation could be based upon market levels for key jobs.

The conference concluded in agreement that job-rating schemes should not be superimposed upon employees or employee spokesmen but that, if these schemes are thought satisfactory by management, they should be explained to the employee spokesman and that thereafter both parties should collaborate in the use and further improvement of the plans. Such plans were recognized as means of composing differences in valuations put upon different types of work.

## HEALTH PROBLEMS IN INDUSTRY

*Chairman: J. H. CHIVERS, M.D., Crane Company*

Considerable interest was shown in the problem of periodic examination of employees, and a varied opinion was expressed as to the value, purpose, and the nature of these examinations. Consensus of opinion was held that, if periodic physical examinations are made of executives and employees in responsible positions, these examinations should be confidential and privileged—they should not be compulsory and they should be conducted in such manner so as to maintain a relationship between the employee and the examining doctor as privileged as exists between the employee and his family doctor. It is only by such restrictions that periodic physical examinations can be made worth while.

Pre-employment examinations were discussed at length, and the consensus of opinion expressed was that the sole purpose of a pre-employment examination should be to determine whether or not such applicant suffers a physical impairment which: (1) would be aggravated by the nature of his employment, thereby predisposing him to disability or disease; (2) restricts his capacity to perform the requirements of the job and thereby renders him liable to accidental injury and or illness; (3) subjects his fellow-workmen to injury or disease as a consequence of his employment.

It was emphasized that under no circumstance should the purpose of a pre-employment examination be made to determine whether or not an applicant should be employed. The question of employment should remain within the jurisdiction of the employment department.

The balance of the discussion pertained to the Occupational Disease Act and its operation and to the Health and Safety Act of Illinois which is now being promulgated by representatives of employer and labor of this state.



ployees, and re-emphasized the need for use of a "job sample" in conjunction with any other devices to determine the degree of fitness in a candidate for initial selection or for promotion, and that a co-operative job must be done by the selection officials working with the training officials.

A comprehensive plan for training and standardizing of interviews and interviewers was presented by the director of personnel from one of the universities represented. His procedure included a training course for interviewers on an attempted standardized interviewing technique, and included also the use of voice-recording and motion pictures of the interviewer and applicant in action. Except for the expense involved, the method was highly recommended.

## SELECTION AND TRAINING IN RELATION TO PROBLEMS OF SOCIAL ORGANIZATION

W. J. DICKSON, *Western Electric Company*

Mr. Dickson began with a brief review of the research work in employee relations which has been carried on at the Hawthorne Plant of the Western Electric Company over a period of many years. Beginning with certain experiments in the relation of illumination intensities to employee effectiveness back in 1923, these studies progressed to more and more comprehensive and exacting studies of the factors affecting efficiency and human satisfactions in work. He pointed out that these studies progressed from the simple to the complex, from the assumption that fatigue and related physiological factors were the chief determinants of work behavior to the theory that such determinants are chiefly psychological and social. In no case, he said, were the investigators able to find a significant correlation between changes in physical circumstance, such as temperature, humidity, and rest periods, and the employees' responses to those changes. What they did find in every case was that significant changes which occurred in quantity and quality of work and the employees' attitudes toward their work were explainable only in terms of the personal situation of the operators and, of even more importance, in terms of their personal relationships with one another, their supervisors, and other social groups within the company.

From these studies, he said, certain ideas have emerged which may throw additional light on such activities as selection and training. He then pointed out that the problems involved in the selection and training of personnel may be roughly divided into two parts. There is the problem of choosing the most capable person for a job and developing his proficiency on it in the shortest possible time. In addition to this problem, which may be looked upon as that of determining how well an individual can adapt himself to the technical organization of a concern, there is the equally important problem of determining the individual's capacity to adjust to the social organization of the concern.

In order to make clear what he meant by "social organization of a concern," Mr. Dickson pointed out that the modern industrial establishment consists of numerous social groups. The people within these groups, examples of which are skilled craftsmen, semiskilled and unskilled laborers, inspectors, office workers, engineers, personnel people, supervisors, and management, are brought into relation with one another on the basis of the work they do. They associate with one another over a long period of time and, through working in and experiencing a common situation, develop many common sentiments and values.

In a well-balanced organization each of these groups has an internal solidarity and is at the same time differentiated from every other group. These differentials between groups are expressed in numerous ways; in rates of pay, in methods of payments, in privileges granted to members of the group, and even in the type of furniture and fixtures provided.

The mere existence of well-differentiated groups within a concern has significance in that it is these factors which in part serve to give social significance to the work of the people within each group. In other words, these differentiating processes serve to fix the relative social position of every person in relation to every other person in the plant. In the absence of such processes, the majority of the personnel is reduced to a common level, and under such conditions the possibility of friction between management and employees is greatly enhanced. In other words, there is a greater likelihood of strong horizontal solidarity developing among the employees in opposition to management.

The extent to which this process of differentiating the total personnel of a plant is carried is, of course, determinable by management. It may be done to a greater or lesser degree depending upon how much importance the management attaches to it. From the standpoint of labor relations, however, it is probably desirable to develop this mechanism fairly well because it is these gradations within and between occupational groups which provide the social ladder within the concern.

Now it is not enough that these occupational groups merely be differentiated from one another. For it will be seen that, if such groups have nothing more in common than those communities of interest which develop through work, there is every likelihood that strong oppositions between these groups might develop over a period of time; and, if this happens, co-operation among them will be at a low level. This possibility is prevented by the development of social processes which cut across different social groups. In other words, these groups must be tied together. They must be provided with enough things in common to give them an over-all solidarity, a feeling of loyalty to the company, a feeling of participation in a common enterprise.

All these processes which integrate and differentiate the total personnel of a concern go to make up the social organization of the company. It is within this social setting that each individual employee seeks the satisfaction of his hopes, ambitions, and expectations in life. To a large extent, his work satisfactions are derived not from his job as a job but from the manifold significances which his job takes on in terms of this social organization. As a consequence, every item in his working environment which serves to define his relationships with other employees becomes a matter of importance to him. Thus, it will be seen that every change which in any way alters his status or the symbols of his status has meaning to him.

This point of view would seem to have a great many implications for

problems of selection and training. First, it suggests that, in selecting people, we should recognize that we are in effect placing a person in a certain position in the social structure of the company. It is therefore important that we give attention not only to his skills and other personal qualifications but also to at least three additional questions: (1) what are the consequences for the newcomer of his being placed where he is; (2) what are the consequences of placing the newcomer in the group for the other employees in the group; and (3) what effect does the selection of certain individuals for a work group have upon the relations between that work group and other groups within the company.

In connection with (1) there is the whole problem of determining the extent to which the work situation can satisfy the socially conditioned demands the individual makes of it. To illustrate, suppose that a company, finding itself in need of additional help, selects only the very best of the available labor supply. At the present time, such a group most likely would be made up to a large extent of young, fairly well-educated people. Although such a group would probably score high in relation to all ordinary criteria used in selection and although they may perform admirably, the mere fact that they do rank at the top of the available labor supply in itself carries with it consequent problems. Such a group, for example, would be likely to contain a good percentage of individuals who might demand more of their work situation in the way of wages, advancement, and recognition than the company would provide them with, thus creating dissatisfactions which might in turn lower their effectiveness.

The problem mentioned in connection with (2), the question concerning the effect upon the work group of placing the newcomer in it, can be illustrated by carrying the above example further. The placement of the young people, whom we have assumed a company has employed, in itself creates problems for the other employees of the concern. The other employees may have less education and in many ways may be less proficient than the newcomers, and it may very well be that the newcomers will rise so rapidly as to constitute a threat to the security and expectations of these older employees. The disturbances in work groups resulting from such action might create rather serious problems in labor relations.

The third question mentioned can be illustrated by another hypothetical example. Suppose that in a concern it has been customary to recruit piece-rate setters from the shop. Piece-rate setters are in a sense management people and thus stand in a position of superiority to the workers. As anyone familiar with industry knows, there is the possibility of friction developing between these two groups. Now in a situation where shop people can look forward to and in fact are promoted to such a position, the relationship between these two groups is likely to be quite satisfactory. Now let us suppose that for some reason management decides to hire piece-rate men from outside

the company and selects a group of college men. This, of course, would block up the channel of promotions from shop work to piece-rate work. Not only that, but the shop people employed on piece-rate work might feel that the security of their position was threatened. This much is readily understood. But there are still other possible consequences. It commonly happens that, when a person's social position is threatened, he attempts to increase the social distance between himself and the group from which he wishes to differentiate himself. As a consequence in the situation mentioned, the piece-rate man might tend to subordinate or become autocratic toward the regular shop people in his contacts with them, thus creating a strong antagonism between two groups which formerly were harmoniously related.

To restate, it is important in considering the selection of employees to think not only in terms of the individual's aptitudes but also in terms of the social organization of the company into which the individual is to be inducted. Unless this is done, unforeseen administrative problems may arise. Looking at the problem of training in these terms, there are one or two things which might be said. For example, in training people for skilled and semi-skilled occupations, it is important that, in selecting people for such training courses, the social organization of different occupational groups be kept constantly in mind. In other words, selection of people for training courses based merely upon a plant-wide survey is likely to result in a dislocation of many of the available channels for promotion or progress to other employees. There also seems to be a problem here in connection with supervisory training for, granting that an industrial plant is in reality a social organization, it would seem that one of the supervisor's chief functions would be to constantly observe that structure in his day-to-day activities. In reality, the supervisor is, to a large extent, custodian of a social as well as a technical organization. Everything that he does, such as granting increases in wages, moving people from job to job, transferring people to other kinds of work, all of these things, have consequences for the social organization of his people.

## A PROBLEM IN CORRELATING THE WORK OF SCHOOL AND INDUSTRY

L. J. SCHLOERB, *Board of Education, Chicago*

Schools and industry are both at the point where an integration of purpose and an evaluation of common goals are necessary. Many pupils in high schools and junior colleges must think in vocational terms as well as the social and cultural considerations, for (1) from 5 to 10 per cent of the high-school population goes on to college; (2) 90 per cent of the high-school population is absorbed by industry, and a majority of this group are prepared for college and are uncertain about their fitness for work; and (3) 75 per cent of those who enter junior college do not continue higher education, which means (a) that junior college work ought probably to be evaluated vocationally and (b) that junior college terminal courses should be seriously considered.

Schools and industry in Chicago are giving evidence of a growing closer correlation, for (1) union and nonunion groups are co-operating in an apprenticeship program; (2) correlated training is provided in fifteen different trades; (3) 175 evening-school classes are correlating directly with jobs in industry; and (4) the advice of industry is used in the school-building program.

Further correlation and co-operation with industry is sought through a continuous occupational survey, conducted by the Chicago public schools, the purpose of which is (1) to provide the basis for an intelligent program of continuous curriculum check and revision if necessary and (2) to provide pertinent and needed occupational data for school and public use.

The needed information is (1) basic informational background required in major occupations; (2) basic traits required in major occupations; (3) special abilities desired by industry; (4) industry's rating of types of training offered; and (5) current occupational trends, shortages, opportunities, and significant changes.

The method suggested to carry on the survey is (1) through personal contact with industry; (2) through conferences with personnel groups; and (3) through advisory committees who will check procedures and findings.

Only as schools and industry work together in that part of the educational job which is common to each of them will youth become better trained for effective citizenship.

## APTITUDE TESTS AND THEIR APPLICATION

RICHARD H. LEUKART, *Division of Standards and Research*  
*United States Employment Service*

In an attempt to answer the question, "Can we direct an individual into occupational channels suited to his peculiar interests and aptitudes?" it is advisable first to review the technique. In a given job some workers are more successful than others because the skills and abilities of some are such that they are able to perform better on the job. The problem of selection is that of attempting to pick from among the applicants those who will, after training and experience, be classed with the more successful workers as against the less successful. To accomplish this, it is necessary to find out what skills and capacities make for success in the job and then select from the applicants available those who have these abilities.

The answer to the question is "Yes," but the accuracy with which it is possible to predict success in a given direction depends upon the accuracy of the measure used in developing the predictors. These are: (1) the measure of success on the job or the criterion, (2) the proportion of requisite skills taken into consideration, and (3) the accuracy of the measure of the skills.

The aptitude test, as a guidance tool, has useful applications in the educational system, especially trade schools, technical schools, business colleges, etc. Students enrolled in these schools must select terminal courses which may involve two to four years of directed study. A mistake in the selection of the field is expensive to the student and to the school. A device which can indicate several more or less distinct fields in which the student is likely to be successful will, to some extent, guarantee the investments. The proportion of guesswork in vocational guidance will be reduced in direct proportion to the accuracy of prediction.

Industry is aware of the problem of selecting individuals for "industrial careers" or "promotional sequence." An applicant who is selected as a clerk with the expectation that he may some day be promoted to branch manager must, in the beginning, have potentialities for this latter position, else he will be side-tracked or will drop out at some point in the promotional sequence. Improper selection in this situation is costly both to the employee and to the firm.

In the selection of workers to be trained for specific jobs, the employing officer should have some assurance that, after training and experience, the normal production of the employee will be equal to or exceed the average of the group in which he will be placed. Here, as in vocational guidance, the

investments of employee and employer will be guaranteed in direct proportion to the accuracy of the predictor devices.

The indirect contributions of a comprehensive aptitude program are manifold. Occupational maladjustment can be reduced in direct proportion to the accuracy and extent of the predictor program. Workers who are employed in jobs for which they are qualified, and which at the same time require the full exercise of their abilities, are likely to be satisfied and stable workers. A program which fits the worker to the job tends to promote stability and reduce expensive turnover.

Predictive tests are only one aspect of selection. They can be expected only to pick out those workers who are physically and mentally qualified to fill the job. Other factors, such as personality and social adjustment, must be considered as important in the final selection of a worker.

The Division of Standards and Research of the United States Employment Service is engaged in a comprehensive aptitude test program which is intended to cover, first, the office machine operating field and will later be expanded to include those jobs which have a very high population, high turnover, and any other characteristics which would indicate the advisability of building up predictive tests. The research units in the various cities where such work is being carried on are depending upon private industry to supply the workers in jobs which are being studied. At the conclusion of each study the results are made available to the co-operating employer.

Eventually, these predictive devices will be put into use in all the state employment services who express a desire for them.

The research unit in Washington performs all the statistical analysis of the data received from field centers and also is carrying on a study of department-store salespeople.



APPENDIX A

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American School	

APPENDIX B  
PROGRAM OF THE MIDWEST CONFERENCE  
ON INDUSTRIAL RELATIONS

GENERAL SESSION

9:30 A.M.

Mandel Hall, the University of Chicago

*Chairman:* JOHN A. STEPHENS

President, Industrial Relations Association of Chicago, and Manager  
Industrial Relations, Chicago District, Carnegie-Illinois Steel  
Corporation

*Greetings:*

In behalf of the University of Chicago

EMERY T. FILBEY, Vice-President

In behalf of the Industrial Relations Association of Chicago

MISS SARA E. SOUTHALL, Industrial Relations Department, Interna-  
tional Harvester Company

*Addresses:*

“Government Policy with Respect to Organization and Collective Bar-  
gaining; Analysis of Decisions of the National Labor Relations Board”  
—CHARLES FARY, General Counsel, National Labor Relations Board

“Trends in Trade-Union Organization, Structures, and Functions”—  
CARROLL R. DAUGHERTY, Professor of Economics, University of Pitts-  
burgh

“Problems in Collective Bargaining”—C. S. CHING, Director of Industrial  
and Public Relations, United States Rubber Company

LUNCHEON

12:45 P.M.

Ida Noyes Hall, the University of Chicago

*Chairman:* FRED C. W. PARKER

Secretary and Treasurer, Industrial Relations Association  
of Chicago, and Secretary, Kiwanis International

AFTERNOON ROUND-TABLE CONFERENCES

2:30 P.M.

ROUND TABLE “A”—Eckhart Hall, Room 202

DISCUSSION TOPIC: “Supervisory Training with Special  
Reference to Employer-Employee Relations”

*Chairman:* ALBERT E. PETERSON, Superintendent of Training, Com-  
monwealth Edison Company

*Discussion Leaders:*

HARRY P. WOOD, Director of Education and Training, Carnegie-Illinois Steel Company, South Works, Chicago, Illinois

PAUL A. MERTZ, Director of Company Training, Sears, Roebuck and Company

F. M. PEPPER, General Plant Employment Supervisor, Illinois Bell Telephone Company

ROUND TABLE "B"—Law South (First Floor, Law Building)

DISCUSSION TOPIC: "Industry Adjustment to Social Security Administration"

*Chairman:* ARTHUR STEADY HANSEN, Consulting Actuary

*Discussion Leaders:*

LOUIS SCHLISINGER, Vice-President, Kuppenheimer and Company

ROY DINGMAN, Assistant Director of Personnel, Commonwealth Edison Company

HENRY R. CORBETT, Consulting Actuary

ROUND TABLE "C"—Rosenwald Hall, Room 2 (Ground Floor)

DISCUSSION TOPIC: "Wage Negotiation and Administration under Open-Shop and Union Conditions"

*Chairman:* DR. JOHN W. RIEGEL, Director, Bureau of Industrial Relations, University of Michigan

*Discussion Leaders:*

M. R. ZELDER, Personnel Manager, Edison General Electric Appliance Company

MORRIS GREENBERG, Vice-President, Hart, Schaffner, and Marx

ROUND TABLE "D"—Law Court (First Floor, Law Building)

DISCUSSION TOPIC: "Health Problems in Industry"

*Chairman:* J. H. CHIVERS, M.D., Medical Director, Crane Company

*Discussion Leaders:*

CLARK D. BRIDGES, Director of Workmen's Compensation Committee of Illinois Manufacturers' Association

VOLNEY S. CHENEY, M.D., Medical Director, Armour and Company

ROUND TABLE "E"—Haskell Hall, Room 108 (First Floor)

DISCUSSION TOPIC: "Employee Representation and Independent Unions"

*Chairman:* ALBERT S. REGULA, Industrial Relations Counselors, Inc.

*Discussion Leader:*

R. W. STONE, Associate Professor of Industrial Relations, School of Business, University of Chicago

ROUND TABLE "F"—Rosenwald Hall, Room 27

DISCUSSION TOPIC: "Techniques of Selection and Training"

*Chairman:* MRS. RHEUA PEARCE, Director of Employee Testing, Marshall Field and Company

*Discussion Leaders:*

W. J. DICKSON, Director of Personnel Research, Western Electric Company

L. J. SCHLOERB, Director of Occupational Surveys, Board of Education, Chicago

ROUND TABLE "G"—Eckhart Hall, Room 206

DISCUSSION TOPIC: "Employee Records and Employment Control in Relation to Recent Legislation"

*Chairman:* C. E. PARKER, Supervisor of Employment, Public Service Company of Northern Illinois

*Discussion Leader:*

W. S. ASKEW, Director, Social Security Division, Swift and Company

4:30 P.M.

TOURS TO POINTS OF INTEREST ON UNIVERSITY CAMPUS  
Leaving from First Floor of Haskell Hall

DINNER

6:30 P.M.

Hutchinson Coffee Shop, the University of Chicago  
*Chairman:* G. W. ADRIANSON, Vice-President, Industrial Relations Association of Chicago, and Director of Industrial Relations, Commonwealth Edison Company  
Music by the University of Chicago Midway Singers

EVENING SESSION

7:45 P.M.

Mandel Hall, the University of Chicago  
*Chairman:* W. H. SPENCER, Dean, School of Business  
University of Chicago  
*Address:* "Business as a Social Institution"—T. N. WHITEHEAD,  
Professor of Industrial Psychology, Graduate School of Business,  
Harvard University

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