

THE
LABOR PROBLEM
WARREN B. CATLIN



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THE LABOR PROBLEM

IN THE UNITED STATES
AND GREAT BRITAIN

第2版

BY

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*In The United States
and Great Britain*

PREFACE

It is better to be right than to be original. The predilection of our great universities for specialization and research, and the zeal of numerous governmental and privately endowed bureaus and commissions for investigation, supply us annually with a huge mass of more or less new material upon a great variety of subjects. There is grave danger that in the continued prosecution of fresh inquiries much of this data already available may not be properly utilized and correlated, and that the publications in which it reposes may become only ballast for the lower shelves of a library. Complete assimilation, we are told, should precede the eating of another hearty meal; and in the scientific world analysis should always be accompanied and supplemented by synthesis. Only in this way can we arrive at something approaching a philosophy or working program for any field of knowledge.

Some aid for those who wish quickly to acquire a certain understanding of particular bodies of facts and opinions is given by the scrap-books or books of readings with which the market is now being rather abundantly supplied. But many find these somewhat lacking in unity, and prefer that their information be "sicklied o'er with the pale cast of thought." And this is a service that can perhaps be rendered most easily and most naturally by one living in the somewhat quieter and less specialized environment of the small college.

Such a synthesis of studies relating to various aspects of the Labor Problem, together with some first-hand observations made during the course of more than twenty years of study and travel, is the rather ambitious purpose of this book. Obviously it could not have been undertaken without a disposition to gather authoritative information wherever it could be found, nor carried through without the ready assistance of many persons both here and abroad.

My obligations to other writers and to current literature on

the labor question are perhaps sufficiently indicated by the copious footnotes that "dog" the text. I am grateful to the authorities in charge of several libraries—particularly those at Columbia University, Harvard University, the University of Wisconsin, the New York Public Library, the Bodleian Library at Oxford University, and the British Museum—for permission at various times to use their admirable collections. It is to be hoped that the numerous and frequent interviews granted by labor leaders and representative employers in the leading industrial centers of the United States and Great Britain, and attendance upon labor meetings and conventions in both countries, may have saved the study from being too purely historical and academic. If the willingness to do a kindness and to give generously of time and thought, when there is little if any prospect of a return of the favor, is the mark of a gentleman, then it must be admitted that the leaders of the different branches of the labor movement rank high in this regard.

The late President William De Witt Hyde and President Kenneth C. M. Sills of Bowdoin College have freely lent their encouragement to the enterprise, and have, on occasion, granted liberal periods of release from academic duties. Professor E. R. A. Seligman of Columbia University has read portions of the manuscript and urged its completion. Dr. James P. Warbasse of the Co-operative League kindly read and commented upon the chapter on Co-operation. Professor Paul H. Douglas of the University of Chicago read and criticized the chapters on Labor Politics.

But I wish especially to state my indebtedness to my friends, the late Judge Eugene Wilber and Mrs. Wilber of Saginaw, Michigan, for advice and assistance upon both substance and form; and to Professor Henry R. Seager of Columbia University in whose seminar the study was begun, and who has read the whole manuscript in its various stages and made many valuable suggestions for its improvement.

W. B. C.

Brunswick, Maine,
August, 1926.

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PART I
ORIGINS

THE LABOR PROBLEM

*In the United States
and Great Britain*

CHAPTER I

THE PROBLEM

1. "THREE IN ONE"

THE difficulty of settling a dispute increases approximately as the square of the number of parties engaged in it. All members of the community—employers, employees, and the public—are, perforce, concerned in the labor problem. And the only point upon which the three parties seem to be in agreement is in being dissatisfied with things as they are. The conceptions which they have of the nature of the problem vary almost as widely as the impressions which the three blind men in the fable had of the elephant. Employers and employees are so separated and divided by the conditions of modern industry that they are unable to catch one another's viewpoint. Their misunderstandings, and the conflicts in which they frequently engage, bring grave loss not only to themselves but to the public as well. And the rôle of the peace-maker is a hazardous one.

No question, therefore, is fraught with more explosive possibilities. That cool, scientific attitude which considers dispassionately the claims and contentions of each party is extremely difficult to take and to maintain. Yet the real and permanent interests of the contending groups cannot be so diverse and antagonistic as they seem to men blinded by self-interest or by the smoke of battle. So far as anyone

can see, whatever the system of industry—capitalistic, socialistic, or any other—there must continue to be an employing interest to direct, an employee interest to perform and carry out, and a public interest to be served by both the others and to pay the bills. From whatever angle we approach the question we are eventually driven to consider all phases of it. And no real solution can be found which is not such for all parties.

2. A "BUSINESS PROPOSITION"

The labor problem to the employer is one of securing and retaining, so long as he needs it, an adequate and competent labor-force, at rates of pay that will leave him a profit when the goods are sold and expenses are paid. He has a costly plant which must be kept continuously in operation if fixed charges are to be met. The large items in his running expenses are commonly labor and materials; and the materials themselves embody a larger or smaller labor-cost for their production and transportation. However capitalistic the mode of production, however great the use of machinery, labor can never be wholly dispensed with. The proportion which direct labor-cost, including both wages and salaries, bears to total operating costs varies widely, of course, from industry to industry. Where the changes wrought by manufacture are relatively simple, as in slaughtering and meat packing and in the milling industry, it may be as low as from one-fourteenth to one-twenty-fourth. In more specialized and elaborate processes, such as those in the manufacture of cotton and woolen goods, electrical machinery and supplies, and musical instruments, labor-cost is about a third of the total.¹ Almost half of the railway dollar goes directly to labor; and when the labor-cost of materials and equipment is included, probably this item takes about 90 per cent of gross revenues.² Mr. Gary of the United States Steel Corporation has several times

¹ *Census of Manufactures, 1921, Summary* (Washington, 1924), pp. 9, 10, 11, 24, 25.

² Interstate Commerce Commission, *Statistics of Railways in the United States for the Year 1922* (Washington, 1924), pp. xxi, xlix; Price, Theodore H., "The Index Number Wage," *Commerce and Finance* (New York, May 7, 1919), p. 595.

declared that 85 per cent of the cost of steel, from raw materials to finished product, is the wages paid to labor.¹ Hence, the importance of labor and of labor-cost in determining the success or the failure of a business can hardly be exaggerated.

Neither can it be denied that the present-day employer often has much ground for dissatisfaction with the attitude and the conduct of his employees. The disloyalty of the hiring has been proverbial in all generations. Long before the Industrial Revolution, masters were portrayed as sighing for "the constant service of the antique world, when men did sweat for duty and not for meed." But modern industrial conditions are such as greatly to aggravate the evil. Workmen are brought together in great masses, and there is not the opportunity for that personal touch between employer and employee which characterized some earlier labor systems. The division and subdivision of tasks make much factory labor monotonous and uninteresting; and the "cash nexus," alone, furnishes but a feeble and uncertain bond. Carelessness, lip-service and eye-service, "soldiering," and general discontent have so undermined the honesty and the efficiency of the average workman that the employer knows not upon whom he can rely.

Frequently, too, he finds that he has to deal with a procession of workers that constantly baffles permanent organization. Many of them have no family connections or other sentimental ties to hold them; no property or other financial interests to anchor them to a given locality and hence they are easily attracted to "fresh fields and pastures new." A labor turnover of several hundred per cent, including "quits," "lay-offs," and "discharges," reckoned on the basis of the number hired throughout the year in proportion to the average force maintained, has not been unheard of. The Ford Motor Company, the year before it introduced its employment department, is said to have hired 54,000 men in order to keep an average force of 13,000.² Fifty-seven Detroit plants re-

¹ Boston *Transcript*, May 25, 1923, p. 16.

² Rumley, "Mr. Ford's Plan to Share Profits," *World's Work* (Garden City, N. Y.), vol. xxvii (1916), p. 665.

ported a turnover in 1917 of over 252 per cent.¹ Figures gathered in part by the United States Bureau of Labor Statistics for a varying number of establishments—certainly not the worst-managed or they could not have supplied such data—for the decade 1910-19, showed a rate of turnover equivalent to taking on a completely new force each year. The trouble was, of course, particularly flagrant during the war-period, when both military mobilization and rapidly changing wage-rates conspired to destroy stability. But in some industries, such as automobile manufacture, slaughtering and meat packing, leather and rubber goods, and many of the metal trades, it is high at any time.² A common remark among Maine lumbermen is that they have to keep three gangs in tow all the time: one going, one on the job, and one coming. And the average cost of hiring and breaking in a new employee in place of an old one is variously estimated by industrial managers at from \$30 to \$200.³

Added to this is the fact that the employer in many industries no longer deals with individual workmen or even with groups of his own employees, but must treat with labor unions represented by outsiders.

To carry on a business enterprise under such conditions is little short of a fine art. Many of our great "captains of industry"—the economic heroes of the present day—have devoted themselves chiefly to the financial and commercial phases of business. But others (and their number is probably destined to grow), like Philip Armour and Andrew Carnegie of a former generation, and Charles M. Schwab, George Goethals, Henry Ford, and Thomas Mitten, have owed a large part of their success to the insight and discretion they have shown in the choice of their subordinates, and to their ability

¹ Fisher, Boyd, "Methods of Reducing the Labor Turnover," *Annals of the American Academy*, vol. lxx (1916), p. 144; Bloomfield, D., *Labor Maintenance* (New York, 1920), pp. 4-7.

² Brissenden and Frankel, *Labor Turnover in Industry* (New York, 1922), chap. iv; Industrial Research Department, *Four Years of Labor Mobility* (1921-24), Supplement to *Annals*, vol. cxix (1925), esp. pp. 7-17.

³ Alexander, Magnus, "Hiring and Firing," *Annals*, vol. lxx (1916), p. 135; Bloomfield, *op. cit.*, p. 6.

to manage men. A proper labor policy is now coming to be regarded as the most vital element in business management.

Many and varied methods and devices have been tried by employers in the effort to solve the problem. So far as possible, particularly in America, they have sought to diminish their dependence upon labor—especially skilled labor—by the introduction of more and more machinery and the simplification of processes. One of the attractive features recently claimed for the securities of a great power company was that it took only six men to operate the plant, and that the danger of labor troubles was, therefore, reduced to a minimum. The great development of conveying machinery for handling materials and products in recent years is the outcome of immigration restriction and a shortage even of unskilled labor.

When it comes to getting the average workman to exert himself and to put forth his supposed best, reliance has so far been placed mainly upon the appeal to financial motives—the fear of fine or discharge and the hope of reward and advancement. There are rare individuals, it is true, who are susceptible to a higher motive, who love their work and rejoice in accomplishment for its own sake—men who, like the Greek artisans of the age of Pericles, or the craftsmen building mediæval cathedrals, are proud to be a part of a large undertaking, and who do not measure their obligations by the clock or the pay-envelope. But for the ordinary man and the humdrum tasks of everyday life, some more tangible incentive is necessary.

The old driving system, suggestive of slavery, which depended so much upon the loud voice and domineering personality of the boss, survived until recently in railway construction and maintenance, in excavating operations, and in other work where an abundant supply of cheap immigrant labor could be drawn upon. But it is less common, because less successful, during a period of prosperity and when there is a relative labor shortage. Profit-sharing, pension systems, relief associations, group insurance, company houses, and welfare work of various kinds have been introduced by many concerns to improve discipline and to cut down labor turn-

over. But they have only an indirect or diffused effect upon output itself.

To secure greater efficiency in the individual man, greater care is being exercised in the selection of men in the first place, and in their assignment to jobs. What since Frederick W. Taylor has been called scientific management includes all this and more careful instruction and supervision. Chief reliance, however, has been placed by many employers upon such manipulation of the method of wage-payment that the workman will be convinced of an identity of interests, and will put forth his utmost effort. Piece-wages have been substituted for time-wages wherever the work permits; and, usually upon the basis of motion-study and time-study, different types of bonuses have been tried.

Finally, the employer or employers as groups have pursued different courses in dealing with the collective demands and manifestations of their employees. Sometimes, particularly during and since the war-period, they have attempted to create rival attractions and to keep the thing within bounds, by forming "company unions," or by granting representation to their own workmen through shop-committees and works-councils. Sometimes they have attempted to match the structure and scope of the unions with employers' associations, in order to deal with labor on equal terms both economically and politically. Certain of these associations, such as the Newspaper Publishers, the Bottle Manufacturers, and the Stove Founders (as well as many individual firms), have seen fit to bargain with the respective unions playing opposite them, and to enter into stable collective agreements. Others, like the National Metal Trades Association, the National Erectors, the National Founders, and the National Association of Manufacturers, have been distinctly anti-union or "open shop" in their methods.¹ Finally there is the League

¹ Cf. Bonnett, *Employers' Associations in the United States* (New York, 1922), *passim*; Barnett, "Systems of Collective Bargaining," *Quarterly Journal of Economics*, vol. xxvi (1912), p. 425, *et seq.*; Wolman, "Collective Bargaining in the Glass Bottle Industry," *American Economic Review*, vol. vi (1916), p. 549, *et seq.*; Stecker, Margaret, "The National Founders Association," *Quarterly Journal of Economics*, vol. xxx (1916), p. 352, *et seq.*