PROBLEMS OF LABOUR AND INFLATION

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1 Introduction

In the period since the second world war many people in different spheres of life have been interested in, pre-occupied by, or confronted with problems of labour. Inflation has also been of major concern, particularly for successive governments.

These issues have been described and interpreted in various ways by different writers, commentators and researchers. This diversity finds expression in the choice of vocabulary; for example, economists seem to prefer the word 'labour' and psychologists 'work'. The two words are difficult to define but they often refer to the same subject matter. Im my view, therefore, when we are talking of problems of labour and labour relations we also speak of problems of work and work relations although the word selected by a particular writer may be judged by him (or her) to be more appropriate in a particular context.

This element of judgement was applied to the selection of the title for this book. The word labour was chosen because of the connection between labour problems and the problems of the economic phenomenon of inflation - a link discussed in a number of the chapters, particularly in 11 to 14. However, I would describe the research enquiries which I carried out in factories (which provided the base for chapters 5 to 10) as studies of work and work behaviour; and I examine problems of work relations, using the more customary title of industrial relations, in chapters 2 to 4.

The book brings together in one volume my major contributions in this area. Chapters 2 and 3 are scene-setters concerned with the identification of various fields of enquiry. They provide a map of topics and represent analytical evaluations of what is happening in the field of industrial relations. Chapter 4 takes this further by a more detailed assessment of the problem of strikes.

By contrast chapters 5 to 14 cover findings and insights from empirical enquiries and present them (with the exception of chapter 6) in the order in which the research was carried out. They thus provide a picture of the continuities and discontinuities in research; they illustrate how one investigation can lead to another and to extensions into new fields.

A few points about my background, and that for the enquiries which I carried out, are relevant. My qualification for entering academic life five years after graduation was a degree in economics, with economic theory as special subject, and eleven years of different work experience in a number of organisations. For instance, while studying, I held a full time teaching job in the first year and later a part-time post as shorthand typist at the London School of Economics which gave me free access to lectures.

The jobs I held had aroused my interest in problems of work relations, work organisation and monotony. The offer of a research assistantship at Birmingham University in 1949 to join a team which was investigating problems of labour efficiency therefore appeared attractive. The appointment started me off on a career in which I became involved in three major research programmes. I may briefly label them as absence, incentives, and attitudes to inflation enquiries.

The first two of these three programmes were sponsored by the Research Board of the University of Birmingham's Faculty of Commerce and Social Science. The team, under the chairmanship of Professor P Sargant Florence, was concerned with investigating industrial incentives and measures of the efficiency of labour. My first brief was to collect information on absence and labour turnover from the personnel records of a number of firms represented on the Midland Advisory Council on Productivity, to prepare reports on both topics for the managers of each of the firms, and to bring the absence evidence together in a monograph that would be of interest to both managers and academics. (See Behrend, 1951).

The Birmingham absence enquiry was carried out in 1949-51 during a period of full employment. As labour had become scarce, the need to use it efficiently had come to the fore and gave rise to growing concern about absenteeism and its effects on productivity not only in Britain but also abroad. This found expression in an invitation I received from the editor of the International Labour Review in 1958 to prepare an article on this problem (see chapter 5). Ten years later, I returned to a study of this topic. The two field enquiries were carried out in 1969 and 1975 in a Scottish factory, which was experiencing an absence problem, and covered a one-year and a six-year period. The main findings are outlined in chapter 6.

When I began to analyse the size of the absence and turnover problems among different groups of workers in the Midlands in 1950, I discovered that the evidence I collected was not amenable to economic demand and supply analysis, although it did throw light on the problems of the efficient use of labour as a resource. Instead, stimulating discussions with my senior colleague, Dr Baldamus, introduced a sociological dimension into my studies. My horizon was extended further when the Medical Research Council Research Unit directed by Wyatt and Marriott began to carry out a study of attitudes to factory work in a plant in which I was also collecting data (see Wyatt and Marriott, 1956). The question of whether we could help each other arose and they offered to let me have access to questionnaires on attitudes to work, together with absence data, for a tentative analysis which is briefly discussed in my monograph. This initiated my interest in attitude studies and the examination of psychological variables.

Having once crossed the inter-disciplinary boundary lines, I began to ignore them. I started new enqiries by formulating questions to which I sought answers which would throw light on a particular problem rather than on a particular theory. I would then choose an appropriate research method.

This interdisciplinary outlook was furthered by my appointment as a research lecturer to the University of Edinburgh Social Science Research Centre in 1954. The Centre had been set up by the Arts Faculty and was run by the Committee on Co-operation in the Social Sciences. The teaching department to which I was attached, and in which I was expected to lecture is now called the Department of Business Studies. In 1964, shortly after the Faculty of Social Science came into being, the Social Science Research Centre was changed into a facilities centre and the academic staff were transferred to their teaching departments as full-time lecturers, in my case to the Department of Business Studies.

During my last year at Birmingham University I had become involved in an interview-based empirical investigation, initiated by Professor Sargant Florence, into the use of payment by results. We had some stimulating discussions and I arrived in Edinburgh with plans for the continuation of the incentives study with a further round of interviews. The publications which resulted from this research analyse the wage-work bargain from different points of view (see chapters 7 to 10). The focus shifts from looking at payment by results as a managerial tool of production control and an economic incentive, to an analysis of belief systems, and an examination of employee reactions to the controls, ie output behaviour and the incentives and disincentives which affect it, including bargaining and social norms. I hope that a comparison of the different ways of looking at these problems is of special interest to readers.

At a Social Science Research Centre Seminar in 1957, I presented a discussion paper on social norms and economic decisions. This was criticised by the then Professor of Economics as of no interest to economists - which was discouraging. A joint research programme in this area had been proposed by Centre members and this attack foreshadowed its abandonment. I still hold that social norms represent an important variable in economic behaviour.

Continuing on my own, I began to examine managerial aspects of company wage problems and policies and the influence of the external environment on these; in particular, the interrelation between payment by result schemes and inflation and how much room for manoeuvre managements have in the wages field. While I was engaged in these analyses, ideas for a new project began to take shape. A growing conviction developed that it was important to know more about conceptions of earnings and notions of fairness with regard to pay, and also to look more closely at the relations between beliefs and facts, in order to get a better understanding of wage problems. At the same time, some practical difficulties which the Research Centre encountered when recruiting secretarial staff, pointed to some investigable problems that appeared worth following up. In addition, the perusal of the literature in this subject area and the study of current events gave rise to my growing interest in problems of inflation and incomes policy.

Among other books, Sherif's account of frames of reference in unstructured situations struck a chord. Sherif (1948, chapter 7) argued that 'a vague and ill-defined situation becomes a plastic canvas on which our pre-occupations, motives and stereotyped attitudes block in the picture'. It struck me that inflation presented a related type of situation. Furthermore, my curiosity was aroused when I read the final sentence of the Fourth Report of the Council on Prices, Productivity and Incomes (1961) which read: 'At the heart of the problem of inflation under full employment is a frame of mind'. I wanted to find out the characteristics of this frame of mind.

Having concluded that inflation was a key variable which must be included in studies of attitudes to pay, I proceeded to work out a strategy for pilot studies. In an article in 1964 I outlined the thought processes that led to the formulation of this venture and presented the first results, and in 1966 in a second paper I described the findings from the pilot studies.

Once the project got under way, this research acquired a momentum of its own. In April 1965 I obtained financial support from the Foundation for Management Education for taking on a research assistant for six months and in October 1965 I was awarded funds by the Department of Social and Industrial Research for a project (later taken over by the Social Science Research Council) entitled Frames of Reference for Judging Incomes (Behrend, 1971). This enabled me to build up a small research team and to conduct our first national sample survey into attitudes to inflation. Supplementary grants led to further sample surveys and a new grant for 1971-75 for a project entitled The Impact of Inflation on Conceptions of Earnings and Attitudes to Work (Behrend, 1976). In addition, the research attracted two outside commissions, one from the Economic and Social Research Institute in Dublin for conducting a sample survey of male employees into Attitudes to Pay Increases and Pay Differentials in 1969 and the other from the National Economic Development Office to conduct a national sample survey into Attitudes to Price Increases and Pay Claims in 1973. Chapters 11 to 14 describe the major findings from the inflation enquiries.
Finally, chapter 15 discusses some of the implications of my research and the insights which I have gained from it.

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2 Problems in the Field of Industrial Relations

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I

The term industrial relations is used in two different senses: it is sometimes used as an all-inclusive term and sometimes as a term restricted to collective relations.

In the all-inclusive sense industrial relations are defined as 'all the relationships between management and employees in the community'. This is the sense in which they are defined in the syllabuses of many university courses on industrial relations. In this sense, the field of industrial relations covers relations between individuals such as the individual employer and employee, and between organised groups such as trade unions and employers. It also covers unorganised or informal relations, and organised or formal relations.

In the restricted sense, the term industrial relations is used to denote only collective relations between trade unions and employers. This usage is illustrated by the following extract from an I.L.O. organised Meeting of Experts on Industrial and Human Relations (Geneva, July, 1956):

> 'Labour-management relations include all the relations between workers and management or employers, and between workers' organisations or representatives and the representatives of the employers or their associations or federations ...a deficiency in the conduct or spirit of either personal relationships, which we may call human relations, or of group or collective relationships, sometimes referred to as industrial relations, can each have a detrimental effect on labour management relations'.

It is doubtful, however, whether the different types of relations can easily be separated from each other, for interpersonal human relations take place against the background of group and collective relations and the borderline between formal and informal, collective and personal, relations is not clear-cut - there is constant interaction between them.

It would seem more correct to view the relations as a wide range of different mixtures of the formal and informal. In the least organised form of relations we have practically no verbal communication. In the most organised form, the relations are defined in legal contracts and in government legislation. Formal rules for regulating relations and behaviour may be strictly enforced, but they may also be ignored. Gouldner (1955, p52), for instance, related that the 'no smoking' rule was enforced only when inspectors from the insurance company made their infrequent tours of the plant. To understand industrial relations, therefore, it is not enough to study merely formal relations. Nor is it enough to study the relations only at the level of the firm or only at the level beyond the firm, for again these relations interact upon each other.

In present-day Britain, many questions of labour-management relations are not settled within the individual firm; they are settled by national agreements between trade unions and employers' federations. This applies particularly to agreements on working conditions and wage rates; only their detailed application is settled within the firm. Thus, wage disputes may develop at the level beyond the firm where the trade unions are bargaining about wage rates with the employers' federations, or at the level of the firm where they may argue about additional bonuses or piece rates. Conflict may arise within or outside the firm.

Ideally, therefore, any study of industrial relations should be all-inclusive, taking account of the whole situation within and outside the firm. In practice, the teacher of industrial relations cannot present at any moment of time a complete picture of the industrial relations scene; he must isolate specific aspects and discuss them in turn. This means that often the same issues reappear in different contexts, and the whole picture is put together piecemeal. This is of necessity unsatisfactory but unavoidable. It has led to the practice of separating industrial relations courses into two parts - one dealing with problems within the firm, and the other with the wider issues, with the so-called framework of industrial relations and the development of collective agreements - but it must never be forgotten that the two aspects of industrial relations are interconnected.

II

In spite of the growing attention which has been focused on industrial human relations as a problem-area in recent years, little attempt is made in the literature to define basic problems. Most writers confine themselves to the study of one or other aspect of industrial relations. As a result, we get at least as many different approaches and emphases as there are disciplines in this field. Nevertheless, it is possible to see how one set of problems leads to another.

There is general agreement that the human problems of industrial organisation differ in nature from the technical problems. From this realisation spring the widely used clichés that 'men are not machines'; 'workers are human beings'. The essential difference is that the behaviour of machines is more or less predictable; the behaviour of men cannot necessarily be predicted. Men may respond favourably to an appeal for co-operation; on the other hand, they may not respond at all. While machines don't answer back, men do. Men cannot be assumed to be indifferent to being organised and manipulated; their co-operation has to be sought and won.

These considerations have led to the study of the so-called 'human factor' in industry. As a result, some students of the field focus their main attention on problems of 'human efficiency'. These are viewed as problems of the worker's capacity to work on the one hand, and of his willingness to work on the other. The capacity to work is seen as a problem of fatigue and training; hence it involves the study of questions of optimum working-hours, of the effect of rest-pauses, and of physical conditions of work; and questions of recruitment, selection and training. Capacity to work, however, would not appear to be the key variable; for capacity alone does not ensure efficient production; it needs to be supported by willingness to make use of one's capacity. Viewed in this light the problem becomes one of motivation and incentives. For willingness to work is not a constant - it fluctuates; it depends on the balance between inducements and sacrifices. In the study of inducements attention must be paid to questions of wages and financial incentives, but non-financial factors also need to be taken into account; questions of promotion, of job-security and job-satisfaction need to be studied. The disincentives also must be considered, such as effort, unpleasantness of work, monotony, and loss of freedom. The focus on problems of 'human efficiency' is a focus on the individual worker and his adaptation to work and to the work-group. This, however, is only one approach to problems of industrial relations.

Another approach considers that co-operation is the central factor that needs to be studied.

Co-operation in an industrial enterprise may be said to fulfil two main functions; that of the production of goods and services and that of the provision of incomes from the sale of these goods and services. The production advantages gained from co-operation need not be elaborated in detail here. They are described in many other contexts. The arguments briefly are these: co-operation makes possible the optimum use of resources; it enables a firm to take advantage of the division of labour, of specialisation and of large-scale economies; its main function is to enable people to produce more than they would produce individually, and as a result, to earn larger incomes than they would earn if they worked on their own. Thus it makes possible the production of a bigger national income which in turn means that more goods are available for consumption.

National income statistics show that the national income of Great Britain has risen steadily since the industrial revolution. All sections of the community have shared in this increase, and the standard of living has steadily improved. Some writers claim that statistical evidence indicates that labour's (proportionate) share in the national income has remained constant (1).

This means that each increase in the national income has been shared between labour and other income groups in fairly fixed proportions. Such proportions, however, are not sacrosanct, and they may be changing.

In theory, the gains from co-operation are shared by all the members of a co-operative enterprise. In practice, however, there is no guarantee that the gains from co-operation accrue to all; nor that they all share equally in the gains. The benefit that each individual derives from co-operation depends on the division of the total