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THE STABILIZATION OF THE INDUSTRIAL WORKING WEEK.

(A Master's Degree Thesis.)
(M. B. A.)

by

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EMPLOYMENT STABILIZATION IS A NECESSARY MEASURE AND
SHOULD BE GENERALLY REQUIRED OF INDUSTRY.

The problem of unemployment is one of the most perplexing ones confronting the American people. For our nation to go along as it has in the past and let unemployment more or less take care of itself, would be a serious blot on the intelligence of those who are responsible for our industries. Many of the keenest minds of the country are seriously thinking of ways and means to stabilize the industrial working week.

Unemployment is not a new subject, although it has never been given the serious thought that is being given to it at the present time. Unemployment, in England, is at least as old as the days of Queen Elizabeth, as is seen from the Poor Laws of 1601.* Since that time, in England, and later in the United States, unemployment problems have presented themselves at rather regular intervals, especially at the periods of depression of the business cycles.

Unemployment, however, is not confined to the periods of depression. Every year tens of thousands of workers, in this country, are out of employment from various causes.

The economic and industrial roots of the present unemployment are intertwined with the World War and its repercussions on every phase of life; with the invention of productive facilities and the development of every device of salesmanship to aid consumption of goods; with the world-wide economic crises; and with many changes in industry which have meant an accelerated rate of obsolescence. It must be recognized that these underlying factors must be given consideration, for an understanding of the problem of unem-

ployment is impossible without admitting many imponderables into the picture.

Many people are coming to the conclusion that a well paid worker is essential to the continued prosperity of our people. This involves steady work. Steady work involves the stabilization of the industrial working week.

The responsibility of the problem rests largely upon the shoulders of those who employ and also upon the government. Labor, by itself, can not be of material aid.

The whole conception of the stabilization employment, in fact, which comprehends planning, thinking and striving toward the bringing about of conditions whereby people who want work may have it as long as they perform it satisfactorily, is comparatively new. Employment stabilization is a part of a typically American philosophy. It is characteristic of American thinking to regard no problem, however complex, as insoluble. Studies of unemployment have led to the conviction that something can be done about unemployment.* Although it may be said that the principal emphasis is laid on the prevention of unemployment, through the better organization and planning of business or governmental action, it is generally accepted, at the present time, in the United States, that even under favorable conditions some unemployment is unavoidable. It is more or less obvious that no single agency can bring about or maintain entire stability of the working week. Yet there is no reason for inactivity. This is not a case where the chain is as strong as its weakest link, but where the rope is as strong as the sum of its strands.

By the stabilization of the industrial working week, we mean the putting into effect either by industry itself, by action on the part of the govern-

ment or both, methods and policies which would enable the industrial plants of the country to be maintained upon a somewhat even and continuous production. This stabilization would not be the perpetuation of the peak of frenzied prosperity but a steady, average level of business which will mean more rapid economic progress.

If we fail to provide for the continuity of business operations and for the continued and progressive well-being of the individual units of society, by not whittling the peaks to fill the valleys of business income, we are holding ourselves in the same position that we have during the past years. The stabilization of the industrial working week would accomplish this continuity and should be required of industry.
TYPES OF UNEMPLOYMENT ARE MANY.

The cure for a disease is based largely on the knowledge of its causes. As far as the average worker is concerned unemployment is caused by lack of work, and he is not greatly concerned, with the various things that cause this lack. Some of the causes, the most important, are given below.

(1) CASUAL

During all times, whether good or bad, we have a number of men who will not work, do not choose to work, find work only intermittently. Because this type of discontinuous employment is conspicuous in longshore work, building, mining, and other trades known for intermittent employment, it is not generally appreciated that casual labor is used in almost all other trades. However, in the past years, successful efforts have been made to overcome much of this intermittent work.

(2) SEASONAL

The wide extent of seasonal fluctuations has not been fully recognized until fairly recently. Ordinarily it was thought that seasonal trades were confined to a few industries. Now it is fairly difficult to differentiate between seasonal and non-seasonal industries. One who examines the records of employment rarely finds instances, where a graphic presentation is used, of a straight line.

The causes of seasonal slumps are, for the most part, climatic; certain commodities enjoy a natural good sale in cold weather, others in warm. Changes in style accentuate seasonal depressions in production. The manufacturer in a style business, not being at all certain what goods will be in vogue in the coming season, hesitates to commit himself to a policy of piling up inventories
in the dull season. The retailer likewise hesitates to place advance orders.*

Many times the dealer's preference, for purchasing certain commodities at one season of the year rather than another, is illogical. Nevertheless it may be so deep rooted as to be difficult to overcome.

Manufacturers, in some lines, feel that seasonal depressions are due to a lack of aggressiveness in the type of dealer who handles their commodities.

Some concerns avoid seasonality of production by deliberately not manufacturing up to the limit of their peak demand. Companies following this practice buy the balance of their seasonal requirements from other manufacturers, so intensifying the seasonal peaks of these latter.

The number of industries which are seasonal because of fluctuations in supply are far fewer than those that have annual peaks and valleys corresponding to shifts in consumer demand. These shifts are in turn largely determined by seasonal changes in climate.

For obvious reasons, coal and ice are products which have their major sale in winter and summer respectively. The heavy demand for candy starts in the middle of August and reaches its peak in September and October; candy manufacturers are also finding ways of selling more candy in the warm seasons.

Industries have been experimenting with a number of plans for eliminating or substantially reducing the extent of seasonal variations, during recent years. Some have succeeded to the extent of guaranteeing from forty to fifty weeks' work in a year to all employees who have satisfied a certain service requirement. Most companies have not been so completely successful but have made genuine progress.

What happens to these tens of thousands of workers who are out of jobs

#Ibid. p. 39.
with the seasonal rise and fall of employment? Some secure other work during the slack periods. Some eke out an existence at odd jobs. Some may have to be content to be idle. It is inconceivable that the bulk of them want to be laid off or find enough to do to pay their way while they are laid off.

The effects of seasonal variations in business not only appear from marked differences in the total number of employed in manufacturing industries in different months of recent years, but if it were readily possible to study the employment figures for single industries and establishments, even more marked variations would probably be found.*

When production is viewed as a whole, variations in one industry tend to offset, to some extent, the variations in another industry, because the peaks and valleys come at different times and tend to counteract one another. Often much uncertainty is produced by the difference in degree of variation in different years, because almost every industry, even in comparatively good times, is more active in some years than in others, and the same is true in single establishments.

Some particular occupations, like the building trades, have very drastic seasonal slumps, but seasonal variations in this line of work may be less serious from the worker's point of view than in manufacture, because the rates of pay for the highly skilled unionized labor most commonly employed in the building trades are high enough to make a fair year's income possible in good times, despite seasonal idleness. The unskilled workers, even in construction, do not have this advantage.

Regularization of industrial employment is an important aspect of the seasonal problem. Fortunately most of the experience data available from the past, are the results of efforts, in Massachusetts and elsewhere, to regularize

industrial activity, or employment or both. Enough cases are available to show that much can be done and there is strong presumption in favor of the notion that success is possible. Just as seasonal unemployment tends to be present in every industry in greater or less degree, so a correspondingly small or large degree of off-set to this unemployment might reasonably be expected from intelligent, aggressive and ingenious efforts for regularization. This is not to say that every industry can eliminate seasonal variations in activity or employment. But every industry could carefully survey its own policies and procedures to see whether it could or should make changes in the interest of stability.*

Industry cannot be expected to put regularization measures into effect at a sacrifice, hampering itself unduly in competition. Many concerns have found regularization profitable.

(3) CYCLICAL

Cyclical depressions occur once in a period of years, and their occurrence is not yet predictable with any degree of certainty. As they are separated by intervals during which the memory of the trials of the last crisis becomes hazy, the high optimism and the prosperity of the new markets tend to disperse resolves made in previous moods. Seasonal problems present themselves frequently and are an ever-present problem. Casual employment is a daily practice. But we are too prone to forget the last cyclical depression.

Cyclical fluctuations are not generally understood and require some knowledge of economic theory.

Business cycles may be called the rhythmical ups and downs of business. The business cycle is composed of four parts: the prosperity, the liquidation, the depression and the revival.

There are many theories of the business cycle, although it may be said

that there is no real theory. Among the theories are: Jevons' weather theory, Huntington's health theory, Fisher's interest-rate theory, Hawtrey's banking theory, Aftalion's general-overproduction theory, Marx's inequality-of-wealth theory, and Foster and Catching's over-saving theory.


The major unemployment times in history have occurred with the period of depression of the business cycles. In that sense they form the greatest cause of unemployment, at the time of a crisis. Whether or not the business cycle can be controlled is a perplexing problem; as yet, it has not been done. Nevertheless attempts are being made toward that end. Perhaps with the control of the business cycle, when it comes, the problem of unemployment will not be as serious as it now is.

Cyclical depressions occur at rather frequent intervals. In each case, employment increased as business recovered. It is noteworthy, however, that in every instance in manufacturing, the employees rendered jobless in the preceding depression did not all return. This would indicate that forces in addition to business cycles have affected employment, because without other influences the swing in each cycle would tend to reach approximately the previous peak. If the low point of a depression is coincident with the low point of a seasonal movement, the amount of unemployment is aggravated."

(4) TECHNOLOGICAL

Changes in business technique affect employment in some obvious ways, but also in some that are more indirect and difficult to trace. Displacement

of employees owing to such changes is commonly called technological unemployment. This is often discussed as if it occurred only in manufacturing, but it is really characteristic of almost all kinds of human activity. It accompanies every change in methods of manufacture, every newly adopted machine or process, every new form of management, every important development in methods of marketing. It is part of the price we pay for progress.

It is frequently asserted that technological displacement does not throw many persons permanently out of work, although it is usually admitted that such displacement causes a considerable amount of temporary unemployment. The displaced workers are believed to find other occupations after varying periods of idleness, sometimes in new industries that grow up and sometimes in older industries that are expanding. Those dismissed from factories are likely to turn to service occupations such as attending filling stations, automobile repair work, etc. It is worth noting that in many, if not most, instances these unfamiliar activities are undertaken as a last resort, and not because of inclination or training for them. The transfers often result in an extensive waste of training and experience, to say nothing of the demoralizing effect upon the individual worker. Technical changes in industry have proceeded continuously since the beginning of the Industrial Revolution in England, about 1760. They have been numerous and widely advertised since the World War. Whether they have resulted in displacing labor at a more rapid rate than in pre-war decades is a matter of controversy. They have, however, much reduced the employment needs of many important industries. Unless other occupations increase to compensate for these losses, some permanent unemployment is bound to result.

Social progress is bought at the price of constant readjustments, which
inevitably inflict considerable hardships on the individual concerned. The extent of these hardships and the number of persons affected will depend on the tempo which governs the transition, and there seems ground for thinking that in the past few years the tempo of American transition has been exceedingly rapid.* Even so, effective measures have occasionally been taken to prevent any widespread displacement. New machines and new processes have been introduced in such a way as to enable the working force to be progressively reduced, not by turning off large numbers of men, but by no longer filling the vacancies caused by death or superannuation. The adoption of pension plans has helped to soften the effects of technological change.

The rapidity with which skilled workmen are being forced out of their occupations is becoming more and more serious. And when a skilled mechanic is forced out of work because a machine takes his place, it is tragic. His work is gone, his skill is lost, his wages are usually lowered when he finds new work, his standard of living is thus reduced, and while he is idle, his purchasing power is gone. It is everybody's loss.

Particular instances of technical displacement are too numerous to mention more than a few, but a few will tend to indicate the kind of situations that they involve. In 1920, according to the best cotton mill practice at the time, four machines were required in a picker room to separate and clean raw cotton to be spun and woven into fabric. About 1925, improvements in picking machinery permitted a reduction of these four machines to two, and two or three years afterward further improvements reduced the two machines to one. The reduction in working force required to operate the machines corresponded to the reduction in the number of machines.#

It has been estimated that in 1830 the labor of one man was required for an hour to make 45 bricks. Today the labor of a man for one hour will produce

* E. B. Butler. "Unemployment Problems in the United States." p. 89
40,000 bricks. Under present conditions, fewer than 90 men using the most modern methods, and working, apparently on an eight-hour day, could have produced in a year's working time all the bricks which were used in the United States in 1929. It has already been stated that this improvement in production methods extends to new industries from which the opportunities for new employment are expected to develop. In 1904, when the automobile industry on a productive basis really began, the labor of one man was required for 1,291 hours to make an automobile. By 1914 this was reduced to 400 hours, and today it is only 73 hours. To produce the 1929 output of automobiles with the methods of 1904, the industry would have had to employ 2,940,000 men, but with the improvements in machinery and methods that have been developed in the twenty-five years, it actually needs only 210,000 men.*

At the present time (November, 1930) the inhabitants of the United States use about 300,000,000 pairs of shoes per annum, or nearly three pairs for every man, woman and child in the country. If it is true that the American shoe factories are equipped to turn out nearly 900,000,000 pairs of shoes a year, it seems evident that their capacity is considerably in excess of the likely, or even possible, needs of the population. Further mechanization, which is no doubt inevitable, can only result in a net displacement of labor. The same is true in a great many other industries. In the woolen industry, for example, even in the boom year of 1929 consumption only amounted to 37.5 per cent. of the potential production in the weaving section, and to 35.8 per cent. in the spinning section.##

When the linotype machine was introduced at the end of the last century, the cheapening of the product led to a great expansion of printing, both of books and newspapers, so that the growth of demand more than offset the displacement caused by the machine. At the same time a shorter working week

was rendered possible, regularity of employment was increased, and wages were improved.

Mr. Gompers, then President of the American Federation of Labor, testified, it was "one of the cases where a new machine revolutionising a whole trade was introduced, that did not involve a wholesale disaster, even for a time."

There is a considerable group of economists and others who hold that the years of prosperity led to undue expansion of industrial equipment and that insufficient purchasing power was distributed to the workers to enable them to purchase the goods made available by the new plant. Unfortunately, it is impossible to verify or refute this hypothesis by recorded facts. We do know that new industrial construction and machinery production went on at a rapid rate through the period. We do know that every industry suffers economically from excessive capacity. On the other hand there was no evidence in the years before the crash of the piling up of stocks of finished goods in tremendous quantities or of prices declining under the strain of an excessive supply. And considerable excess capacity is to be expected in a world of competition, style change, peak loads, seasonal fluctuations and obsolescence.

The reorganization of industry is continually going on. Mergers and technical improvements tend to increase output and throw men out of work. It must be a flexible system indeed that can keep the true between production and purchasing power, between labor demand and labor supply.

To offset the disadvantages caused by the displacement of men by machines, a possibility may be the organization of new industries. The possibilities in this direction may be grasped by contemplating the automobile industry, now

directly or indirectly giving work to four million or more Americans who might be unemployed if this industry had not been developed.*

We cannot speak of "technological unemployment" as though it were something to dread, but it is technological employment which makes all better employment possible. The automobile industry could not have happened before it did. It could not have been developed if there had been no available man-power, and man-power was available for its development because the discovery of better methods had released man from the necessity of spending all his time and energy in getting a bare living. He could now do new things; and one of the things he did do with his newly found time and energy, was to build up this highly desirable method of transportation. He was able to do it, of course, only because he had good leadership. Ford led the way. He proved that men released from the old drudgery did not have to be left unemployed but could be employed by the millions supplying wants to which they could never have given attention before. Every new industry has proved this. They become possible only as better methods do put people out of work. Technological unemployment is then not a curse but an opportunity. The curse lies in our bad thinking. It lies in the fact that, with so many demonstrations before us, we do not see our opportunity. Because, for ages, man had to spend all his time and energies in getting a bare existence, we think that when he does not have to do so, there is nothing left for him to do. As a matter of fact, his opportunities are limited only by his wants. The only thing that is lacking is enough organization of his employment.†

One would be hard put to name an industry to take the place of the automobile industry of the past generation. However, there is a possibility of the improvement of the "health" industries; for example, air-conditioning.

†Ibid. p. 62
Harold F. Clark, in "Myths of the Machine"* gives some myths and answers to them, which relate to technological unemployment.

**Myth No. 1. (THE AUTOMATIC MACHINE MAKES UNEMPLOYMENT INEVITABLE.)** and the answer, in part: Probably not more than 20 per cent. of our working population is employed in our factories. Even if all these were replaced, that would reduce the average working day by 20 per cent. and everybody should have a job. We are not saying this is easy or simple or even obvious; we are saying that sooner or later society will set up the machinery to see that this does happen.

**Myth No. 5. (UNEMPLOYMENT IS INEVITABLE.),** and the answer, in part: We have carried over the methods of economic control from a simple economic order. They obviously will not work at the present time. Unemployment is not inevitable. It cannot be abolished without setting up new instruments to control our economic order. To bring about such changes should be an important part of the effort of every individual.

**Myth No. 6. (THERE IS NOT ENOUGH WORK FOR EVERYONE.),** and the answer, in part: Cities need to be rebuilt. ... The world needs millions of people to improve its health. ... In some distant age in the future problems of idleness may become unavoidable. In the 20th century idleness is only an indication of stupidity and poor organization.

**Myth No. 7. (TOO MANY PEOPLE IN EACH OCCUPATION.),** and the answer, in part: Would the situation be any better if each occupation had just half as many people in it? The country had serious unemployment when the country was smaller and there is no reason to think that the situation would not be just as bad if there were only half as many people today.

As the machine has been able to produce more goods, labor has never gotten the increased proportion which as a consumer should have been its due if

consumption was to be kept in line with production.*

In other words, every time a machine displaced ten workers the wages of the remaining workers operating that machine never came anywhere near approximating the wages paid to those who were displaced.

The well recognized tendency of industry not to hire older workers and in numerous instances to sever employees from the pay roll, is a by-product of technical evolution. In so far as the older workers cannot compete in productive efficiency with the younger, there is a steady pressure on the employer to follow this course. The movement for establishment of old-age pensions by individual concerns, the liability of older-workers to accidents and the setting up of factory health and life insurance funds contribute an added financial incentive to the employer to lower the average level of his working force. Humanitarian forces work strongly in the opposite direction, but the more conscientious employers must face the competition of the less scrupulous. Profit, not the milk of human kindness, is, after all, the life blood of business mechanism. Thus we may expect the ranks of the technologically displaced to be increasingly swelled by idle men in their vigorous middle years who yet have become "industrially old".

(5) FAILURES, BUSINESS CHANGES AND MERGERS THROW MEN OUT OF WORK.

It is of course quite natural that when a business ceases to operate, the men who were employed find themselves without employment. If the business is assumed by another, the men may be re-employed but as a usual practice, they must secure employment elsewhere.

The movement of industries from one section of the country to another is a source of unemployment. The migration of cotton manufacture to the Southern

Atlantic States and of the boot and shoe industry to the Middle West are important causes of unemployment in Massachusetts. Movements of this kind have not been uncommon in the United States. They usually have been gradual, extending over a period of years. The story is a familiar one. Employers have discovered that production costs could be lowered in some other section of the country. Closer proximity to raw materials or to a large market for the finished goods, or cheaper fuel, power or water supply, or lower taxes, or cheaper wage labor, or greater freedom from trade union activities, or from legislative restriction, or for some other reason or combination of reasons have been given. New plants tend to be built in the new lower-cost region rather than the older section. Older plants are likely to be closed as time goes on and their business moved to new plants in the lower-cost area.

The driving out of older establishments by competition from the new ones may hasten the migration. Newer plants and newer companies attract younger managers less wedded to the old routine and more alert to newer methods of production and marketing and of shifts in consumer demand. Better management is easier in up-to-date plants with new equipment. Increase in business and employment develop in the newer area. Decrease in business and declining employment are the fate of the older section.

Migration in the boot and shoe industry in Massachusetts, which as in the case of cotton manufacture, has been in process a long time, and has accompanied the introduction of better marketing in the Middle West and an increase in foreign competition.*

The unemployment caused by industrial movements of this kind is particularly difficult to solve, for prevention means preventing the industrial migration itself. It is probable that only a counter process of industrial readap-

tation in the older section will succeed if there is any lesson to be
learned from similar experience in other countries faced in the past with
the necessity of similar competitive readjustments to meet conditions in
newer countries. Cotton and shoes face, in Massachusetts, a problem not
essentially different from that confronting the English steel, coal and
shipping industries, or the American wheat farmer, since the World War,
having encountered competition of lower-cost producers in other sections
of the world, including other sections of the United States, coupled with
an increase in production in competing areas.* This has brought about a
total productive capacity in the industry as a whole far beyond the limits
of any demand reasonably to be expected, and a decline in the industry in
the older longer established centers.

The degree to which Massachusetts' cotton and shoe manufacture will
come back is dependent on developments within these two industries. Much
old plant and equipment already have been scrapped and heavy capital loss
incurred. Special effort and high technical skill may bring back portions
of one or both of these migrating industries. The advantages enjoyed by
other sections, mainly not endowments of nature, may not be permanent.
Low wages of labor may not last. The geographical advantages are partly
a matter of transportation rates. New technique is a man-made product. It
seems probable that newer branches of these industries and wholly different
industries will replace what has gone. This is the story of industrial
migration elsewhere. The process will be slow, whatever it is, and unem-
ployment must be dealt with in the meantime.#

* "Report of the Activities of the Massachusetts Emergency Commission on
Unemployment." p. 81.
# Ibid. p. 82.
A movement which has attracted attention is the growing practice of independent concerns to merge under a single management. The vertical merger, which aims at control over all stages in the manufacture of a commodity from raw materials to finished product, is not of itself likely to bring about any appreciable reduction in the amount of labor required; but the horizontal merger, which results from the combination of plants manufacturing substantially the same product, gives rise to a different situation. It may be that the central control will confine itself to broad questions of finance and leave to individual plant managements a substantial autonomy which does not differ greatly from their former independent operations. Or the merger may affect a closer control of the market, and secure a larger proportion of the total available business, which will tend to make each plant more active than formerly. A reassignment between plants of commodities for manufacture or operations to be performed, for the purpose of securing more efficient use of the combined facilities, may cause no diminution in the activity of individual divisions of the merger. Consolidations resulting in these conditions do not materially affect employment conditions.

But in practice other situations have frequently developed. Increased efficiency has made unnecessary the operation of all plants, or one or more plants have been cut down to a mere skeleton of the former size. The purpose of an absorption of a company may have been primarily to secure control of patents and, this accomplished, the plant may be of no further value to the central management. Whether such plants are closed or continued on a reduced scale of operation, superfluous employees must be released, some of whom have long service records to their credit. Here management faces a serious problem and must proceed slowly, for the decision in the first such instance is likely to be regarded as a precedent to be followed in other similar situations which may develop later.*

(B)

THE UNEMPLOYMENT PROBLEM IS FAR REACHING IN ITS IMPORTANCE

It is an extremely difficult thing to find the actual extent of unemployment in the United States. The figures for the present time are variously estimated. Even if one knew the exact amount, the question of the interpretation of the figures would require an enormous amount of work.

Unemployment affects all strata of our economic life. This is especially true if the extent of unemployment is as marked as exists at the present time, but under any condition those out of work create a problem which is not easily solved.

(1)

THE NUMBER OF UNEMPLOYED

UNEMPLOYED WORKERS IN THE UNITED STATES 1920-1932.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920</td>
<td>1,400,000</td>
</tr>
<tr>
<td>1921</td>
<td>4,200,000</td>
</tr>
<tr>
<td>1922</td>
<td>3,400,000</td>
</tr>
<tr>
<td>1923</td>
<td>1,500,000</td>
</tr>
<tr>
<td>1924</td>
<td>2,300,000</td>
</tr>
<tr>
<td>1925</td>
<td>1,700,000</td>
</tr>
<tr>
<td>1926</td>
<td>1,600,000</td>
</tr>
<tr>
<td>1927</td>
<td>2,000,000</td>
</tr>
<tr>
<td>1928</td>
<td>1,800,000</td>
</tr>
<tr>
<td>1929</td>
<td>1,600,000</td>
</tr>
<tr>
<td>1930</td>
<td>2,500,000</td>
</tr>
<tr>
<td>1931</td>
<td>6,000,000</td>
</tr>
<tr>
<td>1932</td>
<td>11,500,000</td>
</tr>
</tbody>
</table>

The above figures (approximate) are from the Bureau of Labor Statistics, except the one for 1932, which is the estimate of William Green, president of the American Federation of Labor.

As far as the estimate of the present time, (March, 1933,) is concerned, it is variously given up to 15,000,000,* with no definite accurate total available.

The social point of view on unemployment starts with the premise that year-round employment is best for the worker's well-being and satisfaction. A steady employed worker develops habits of industry which a worker employed part time, even at an equivalent annual wage, is unlikely to attain. The steady worker becomes a more efficient worker and, in the long run, can earn more because he can produce more. The worker with a regular income is a saver of money and an intelligent spender. The man who is called in at high wages to do a six months' job may regard his compensation, in effect, as an annual wage and budget his expenditures accordingly. It is more likely that the receipt results in of relatively large sums of money at certain times of the year, relatively large expenditures while work lasts, succeeded by pinching, borrowing and perhaps charitable aid during the weeks and months of enforced idleness. As the authors of "Can Business Prevent Unemployment?" have well stated: "The overhead of labor consists in the fact that wage earners' families live by the year though they work by the day."

Under the ancient formula, business had no social responsibility. In times of prosperity employers employed, and when hard times came they ceased to give employment. The idea that it was the responsibility of business to create good times did not occur, either to the traditional business man or to his traditional critic. The business man, however, was rising to power, and he liked that. Power without responsibility seemed to be his aim; and it became the dread word. That business, particularly big business, should have its own way, caused millions to shudder.

Now it is time for all of us to change our minds. Not because business
men have become good, but it has been discovered that business can succeed only as it creates success for everybody. The greatest total profits can now only come from the greatest total service. There must not be jobs for everyone but actual wealth-producing jobs - jobs that shall not merely distribute the ever-increasing volume of wealth which better machinery and better methods constantly make possible.

If business can organize to do this, the old bugaboos must vanish. No one need worry then about the greater and greater power which it may attain. "More power to business" will be the universal plea: but not more power to business men who have not yet learned what business actually is.

Unemployment has well been termed the shadow-side of progress. It is essentially a by-product and characteristic of this, the latest stage, the capitalistic stage, of production.

In the report of the Massachusetts Emergency Commission on Unemployment we find that most wage earners in Massachusetts with families cannot save. The saving that is done by workers in Massachusetts manufactures must then be done by unmarried workers, or married workers without children or who have some other means of income.* What is true in Massachusetts is in all probability true in the other states of the country. If a person cannot save with the income which he gets, the problem of support is a serious one, as soon as he is out of work for any length of time.

The inability of workers to plan properly may force resort to the pawnshop or to loan associations, involving charges that further reduce the income. Or it may necessitate purchases on credit, with the usual mark-ups in price. By such charges and others, the worker in an irregular trade finds himself much more troubled by his irregular income than the steady worker with lower average earnings. The time may come when the period of unemployment is much longer than expected and the usual resources do not avail. Then he may be forced

to seek the aid of charity.

Thus there comes the significant result, noted in many social investigations, that irregularity of income is a much more important source of pauperism than low wages, and that mere irregularity of income leads to pauperism and dependence on charity when the same or lower income distributed evenly would probably not.*

Unemployment is often called a disease of society. I am inclined to think that one is nearer the truth if one speaks of it as a symptom. Unemployment is like a head ache or a high temperature - unpleasant and exhausting but not carrying in itself any explanation of its cause. A high temperature might be got by catching malaria or by breaking one's leg or by eating too much; it may mean that one has something wrong with one's appendix or lungs or teeth, that one is in the thick of a bad cold. Until one finds out which of these and many other possible causes is at work, one will not have gone far in finding a cure simply by knowing how many degrees of fever one has. The clinical thermometer is an indispensible but limited instrument.

The idleness of men who wish to work is the most dangerous surplus which can exist in any country. Its paralyzing blight reaches not into our economic structure alone, but goes much further.

It is ridiculous to speak of unemployment as a necessary condition of human society. It is nothing more than a maladjustment of its machinery. It is a blot on our intelligence. It is a drain on our sympathy. It is a promoter of charity, which affects disadvantageously both those who give and those who receive.

Some day we shall learn to do better; BUT WE MUST LEARN IT SOON.©

Mr. Louis D. Brandeis, justice of the Supreme Court of the United States, at one time justly termed unemployment the "worst and most extended of the industrial evils of today".

Irregular employment undermines the physique, deadens the mind, weakens the ambition, destroys the capacity for continuous, sustained endeavor, induces a likeness for idleness and self indulgence, saps self-respect and the sense of responsibility, impairs technical skill, weakens nerve and will power, creates a tendency to blame others for failures, saps courage, prevents thrift and hope for family advancement, destroys a workman's feeling that he is taking good care of his family, sends him to work worried and unfed, plunges him in debt.

Frequent irregularity of employment, frequent discharge and the frequent necessity of hunting new jobs - the lot of any number of American citizens - are bound to leave their marks on the worker. How many young persons start out in life with hope and courage and capacity find themselves, through no fault of their own, out of work; lose their old connections; become discouraged and finally join the ranks of the beggars or criminals of our cities!

Unemployment is a risk which is borne not only by the individual worker but by society as a whole. The presence of large armies of unemployed in our midst cannot be said to affect one group only. An unemployed person inevitably is one who may become a danger and a menace to many persons who are even unaware of his existence. If he is unable to attain work within a reasonable time his morale begins to weaken, to say nothing of the effect on his well-being. Multiply this one man by 10 to 15 million in the United States and you have a horde of unemployed men and women who lack purchasing power, thus producing an immediate reaction upon business and industry, upon manufacturers and merchants. Although out of work and unable to buy the necessities of life, still these men and women need food and clothing and often shelter. This at once places a burden upon the public, and taken together with the inevitable depression in trade, reduces prosperity and the welfare of society as a whole.
Unemployment is never less than a tragedy to the individual. The fact that social progress may involve unemployment of individuals is the justifications of social measures for dealing with and relieving unemployment. But the measure must be such as to ease, not hinder, progress.*

Nothing is more demoralizing for wage earners than the feeling of insecurity of employment. Unemployment and the fear of unemployment are powerful causes of discontent. Wage-earning men and women must meet responsibilities for the support of themselves and their families wholly from their earnings. Loss of employment not only eliminates income but lessens the ability of wage-earning men and women and their families to make purchases, thus intensifying the period of depression.

The slogan is commonly repeated in the United States that "the best cure of unemployment is employment". This is a truisim which can not of course be over-emphasized, and the main endeavor of American social thinking has been along the positive line of regularizing employment as the most effective antidote to unemployment.

Under private ownership, however, there is tendency for each industrial organization to gain the greatest immediate advantage for itself. Stockholders are constantly demanding of the boards of directors maximum immediate profits. Boards of directors are bringing constant pressure to bear upon management for maximum financial returns; and the price, wage, production and investment policy of the corporation is determined not with a view of social welfare, but with the primary object of securing the largest net income for the individual corporation.

We can let the law of supply and demand fix the price of all other commodities, but we can no longer let it fix the price of labor. To do this

would quickly force down all wages to the point of bare subsistence for those who could find employment, and leave nothing whatever for all the rest.*

Still broader and more complex issues are met when questions of the social value of the additional leisure are raised. It is recognized that increased leisure has come to have a definite economic value under the present organization of industry, in that it permits for some industries a better balancing of production and consumption. Commodities tend to be over-produced and to lose part of their market value if consumers, though able to buy them, do not have the time to use them. But many persons question whether the extension of leisure is justifiable merely on such grounds, and ask whether additional leisure will be used in ways beneficial to the cultural interests of society.

THE EMPLOYERS SHOULD ASSUME PART OF THE RESPONSIBILITY.

(1) UNEMPLOYMENT IS WASTEFUL FROM THE BUSINESS STANDPOINT.

(a) LABOR TURNOVER IS COSTLY

When it is necessary, for one reason or another, to change or to hire new workers, a whole chain of costs is set in motion. The machinery of hiring workers in some plants represents a sizeable amount of money. This includes, in some instances, physical examinations, correspondence concerning references, clerical costs, rent, etc. These new workers require special instruction and in some cases require special training. Estimates as to the cost of labor turnover range anywhere from $50 upward. Such estimates do not figure, in all cases, the damage caused by errors while learning a new job. A new worker is said to cause more accidents and to be a victim of more accidents than a regular employee.*

(b) IMPAIRMENT OF SKILL AND EFFICIENCY.

Even though a worker may have the best intentions, discontinuity of work impairs his skill. Numbness of fingers and the conditions of the muscles play a part in the efficiency of most workers, and only when they work with regularity at their occupation can they give their best performance.

In plants where scientific standards of production and accurate records are available, the effect of idleness upon the worker's efficiency when he resumes work can be measured definitely. In one plant it was found that the absence of weeks from a job on which the worker had been employed for a long time impaired speed so much that special wage adjustments were made in

certain cases to keep workers from becoming discouraged at the beginning.*

From the point of view of the employer, the efficiency of the labor force, as a whole, is impaired because the more efficient are likely to secure employment elsewhere and when work is resumed the less efficient or the mediocre comprise the labor force.

(c) INCREASES OVERHEAD.

Overhead costs keep going along even though the plant may be shut down because of lack of work. Every fair-sized firm demands certain outlays for land, buildings, equipment, etc. in fact, fixed assets. When the plant is idle the investment is not being put to productive use and a loss results, let us say, equivalent to the loss of interest which the money would bring. Capital is likewise idle. There are certain fixed running expenses such as taxes or rent, insurance etc. Wages may be avoided to a large degree but most of the salaries continue although they may be cut somewhat.

(d) CURTAILED BUYING POWER CAUSES MORE UNEMPLOYMENT

Unemployment with its decrease of income does not permit the worker to spend with the frequency that he formerly did. His expenditures must of necessity be made for the necessities of life. Naturally fewer goods are bought, fewer goods are produced, which causes further curtailment of employment, and so the vicious cycle continues.

(2) IT IS FITTING THAT BUSINESS MEN SHOULD TACKLE THIS PROBLEM

Industry itself should be urged to use every effort to stabilize its employment policies. In a number of industries, through better planning, seasonal unemployment can be considerably lessened. Displacement due to tech-

nological changes should be rendered less painful, if such improvements were adopted gradually, if older workers were retained and if a dismissal wage were paid to those dropped because of technological or administrative changes.

While good management can reduce, it cannot cure, seasonal unemployment and that even if industry were to set itself the task with far more energy than it has shown in the past, a considerable amount of seasonal unemployment would in all likelihood exist.

Mr. Sam A. Lewisohn, president of the American Management Association, holds that as the direction of affairs of the business world lies mainly in the hands of employing management and of financiers, it is obvious that the responsibility for taking the initiative in adopting measures to minimize unemployment is primarily theirs. This does not mean that unemployment is the fault of these groups or that they are responsible for bringing about the conditions antecedent to unemployment. But what is suggested is that these groups are the only ones that can be of any large influence in mitigating these conditions.*

"Steady Employment" can be made more of a problem to the individual employer. It is true, of course, that the ebb and flow of immigration, fluctuations in the tariff, general trade booms and depressions, and such world cataclysms as the recent war bring about unemployment. But my theory is that the problem of unemployment is the problem of good times rather than of bad times and that say 90% of all the unemployment which men and women suffer and which demoralizes and degrades them can be eliminated by proper organization within the factory walls.**

A good many of the employers work on the theory that periods of employment and unemployment are wished on us or come largely as "Acts of God". So

the stroke of lightning may be taken as evidence of Divine dispensation. But this does not prevent us from erecting lightning rods to guide this power back to Mother Earth in such a way that no harm is done. In the same spirit scientific management takes the hopeful attitude as to these interruptions in employment. We say that unemployment is something that should be eliminated from our industrial system.*

The view that employers must be held responsible to a considerable degree for the regularization of employment in their individual plants has become more current. Spread of the principles of scientific management has impressed business executives with the costs in idle plant and labor force and, together with humanitarian considerations, has stimulated them to conscious effort for continuity of production and employment. But it is evident that the individual management has much less control over the factors of cyclical unemployment than those of seasonal slackness.

THE EMPLOYEES SHOULD NOT BE HELD RESPONSIBLE FOR

THE BURDEN OF UNEMPLOYMENT

(a) THEY CAN NOT CONTROL THE CONDITIONS OF EMPLOYMENT.

The control of the conditions of employment at the present time is largely in the hands of the employers. Over a period of years the employees, largely through the aid of labor unions, have made an impression; yet after all is said and done the employers still have the almost undisputed control.

Employees either as a group or as individuals have made attempts to control production and thus indirectly have tried to stabilize employment.

In a tire plant, a foreman's clerk asked the men why they were working so slowly. Several answered, "If we do any more, they will cut the rate." The clerk wondered whether these men were right, or whether they were just lazy and did not want to work more rapidly. He found out soon after, when a new foreman took charge of this department. One of the foreman's first official acts was to check up on earnings. He found a woman earning $6 a day, and a man and wife earning $8 and $6 respectively. He remarked that $6 was "too much for any woman to be earning," and that $14 was excessive for a family. Arbitrarily, he cut rates so that the woman could earn only $4 a day. #

Three workers in a New York auto-accessory plant had become quite expert in testing assembled ball-bearings for defects. The testing was done by turning the finished bearings at high speed. The defects were detected largely by the trained ears of the testers catching the variations in sound made by

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# Stanley B. Mathewson. "Restriction of Output Among Unorganized Workers. p. 56.
the bearings as they rotated. The testing was so noisy that booths had been built around the testing devices to shut the racket away from the rest of the shop. There was glass in the partitions but only the heads of the testers could be seen from the outside. Moreover, the booth doors could be hooked from the inside, so that anyone entering the booths had to knock on the doors and thus give warning of his approach.

A large order for bearings was cancelled. The information soon reached the testing group. One tester told another: "Take it easy now. If we don't slow up, we will all be out of a job soon. Be sure to keep some work ahead all the time so that when the big boss comes around he will see that we have work to do." After this the testers worked only about half time and read and visited the rest of the time behind the hooked doors.

The foreman was anxious to keep his three expert testers, and would always pass the word to them when the works manager was approaching. He told them to "look busy whenever the big boss is around." The men managed to do this, and as one of the testers said, "By holding back we were able to avoid the lay-off." All three were on day rates, and they lost no pay.*

To assume that all restriction is the result of conditions external to the worker would be erroneous. Grievances, dislikes, hard feelings against management, and discouragement often interfere with fullest production. The worker feels, of course, that he is fully justified in his aversions and antipathies. Nevertheless, his grievances, whether imagined or real, have their effect upon the amount of work he will turn out. Ill feelings between individual workers over small matters will often interfere with fullest production.

In a machine manufacturing plant there were two groups of workers, engaged in continuous process work, who reported to separate superiors. The

larger group of about twenty-five men was engaged in processing, repairing and painting certain parts. These parts moved along a conveyor to a point where they were given a final test by the two men who reported to the engineering department. The two testers were on straight time while the others were on group bonus. The bonus was paid on the number of finished parts that passed the inspectors. It was, therefore, to the advantage of the group on the conveyor to keep their production up to a certain limit. The situation is brought out by a conversation between Mac, a conveyor worker, and one of the test men.

"Did we make bonus last week?" Mac asked one of the testers. "We had such a slow day Friday I wonder if we made out."

"I don't know," the tester replied, but you fellows would get more production if you quit crowding."

"What do you mean 'crowding'?" Mac demanded.

"Oh, hell," the tester exploded. "That big Turk (indicating one of Mac's fellow-workers) keeps snatching the parts off the side conveyors and crowding down on us and yelling at us. I hold him up every time he does it, and so does the other tester. We don't get any more pay whether we test ten or a thousand. We are not on bonus and I am not going to work myself to death. Besides, we work for the engineering department and can even tell your foreman where to head in. That big Turk hasn't anything to do with us and every time he tries to crowd us, we hold him up. It's nothing to us!"*

The human nature of the workers, therefore, tends to protect even those short-sighted employers from their own short-sightedness; for if the workers would work for next to nothing, they would certainly be able to buy next to nothing; and their employers being able to sell next to nothing, would very

soon cease to be employers.

Restriction of output is a serious matter, regardless of the means by which it is accomplished. In the abstract, it is clear that there should be no interference with the productive processes; but, confronted with a concrete situation, the proper course of action may not be so plain. Those who practice restriction, if they bother to explain their action, never fail to describe it as a defensive measure.*

(b) THEY CAN NOT ATTAIN SECURITY THROUGH THEIR OWN EFFORTS

No matter how well a worker may perform his duties it is no guarantee that his work will be stable. If there is little work, not all the skillful would be retained. It is the practice in many establishments when it is time to let workers go to let those who have the longest tenure to remain the longest regardless of skill.

The problem is complicated further by the tendency in modern business to discard middle-aged workers on the grounds that they can not be speeded up in the same way that can workers in the twenties and early thirties. Regardless of the effort which these middle-aged workers put forth, their outlook, in many establishments, is rather cloudy.

STABILIZATION OF THE INDUSTRIAL WORKING WEEK MAY BE ACHIEVED

BY MANY MEANS ADAPTABLE TO THE INDIVIDUAL INDUSTRIES.

Few subjects in recent years have attracted more attention from business men than the stabilization of business operations. Various devices have been applied with varying degrees of success. Many of these have been ineffective because of failure to base the plans upon the fundamental fact that business policies should be determined with full recognition of their relation to the business cycle and other causes of unemployment.

To attack any problem effectively, it is essential to locate the point of control, and the employer controls hiring, lay-off and dismissal of workers. He does not control the long-term swings of business, but he can determine to an appreciable degree the amount of unemployment which even long-term factors produce among his own workers.

The reasoning which placed the cost of workmen’s compensation upon the employer applies in part to unemployment also. In either case he bears only part of the cost. The employee is not fully compensated and really bears the rest.

Irregularity of employment, with what it implies, has been found to be unsatisfactory from the standpoint of management, as well as a hardship to the employees, who can not rely upon a regular income. The fact that the interests of both will be served by greater stability of operation and employment is the best assurance that this problem will continue to receive serious study.

"Interest in the technique of employment regularization seems rooted in the progress of scientific management and in humanitarian considerations arising out of the depression of 1914-1915. Impressed by the prevailing unemployment, a small group of forward-looking men turned their attention
towards making employment more secure. The flush employment of the war years afforded an opportunity, and mounting wages, a stimulus. The depression of 1920-1922 gave further impetus to such plans and there is now evidence of a new sense of employer responsibility."

Scientific management has been and still is of enormous importance in the organization of industry; but like every other good thing can be overdone and abused.

"The spread of the principles of scientific management during the war when costs were mounting rapidly had a part in prompting employers to regularize production, thereby making employment more regular for employees. Management began to assume the aspects of a profession. It became a subject to be studied by young people in universities, and by business managers through conferences and extension courses. Specialization in the field, and, with advancing wage rates, greater recognition of the importance of the labor factor in production gave rise to the profession of personnel management which has as one of its aims the best utilization of the working force. In the effort to reduce management to principles and techniques and so eliminate all forms of waste, unemployment seemed an anomaly. Finally, it was asserted that as most business works under competitive conditions and its dominating motive is profits, only the most scientific of managements would be able to reduce fluctuations in employment to a minimum.

This conception that employers should be held responsible for regularizing their own employment was a basic principle of the Huber bill on unemployment insurance advocated by John R. Commons in Wisconsin and of similar methods proposed in a few other states."#

* "Unemployment Benefits in the United States." p. 64.
# Ibid. p. 62.
Our economic system is characterized by freedom of individual enterprise whereby anyone may enter any lawful occupation, with some few exceptions, to which he inclines or into which he is thrust by circumstances. He may go to work for anyone who will hire him. He may set himself up in any business for which he can get capital. All of which means that many persons enter occupations for which they are unfitted.

This freedom admits into business as employers not only those likely to succeed, but also those bound to fail. It admits the racketeering type of employer, who hires under such terms that workers are driven from his employment. It admits not only careful labor managers, but those who look upon all methods to regularize employment as nonsense, and who continue to hire and fire at will, adding annually to the number of workers moving from job to job or into joblessness. Nevertheless this type admits to great successes.

A solution, of course, would be for business leaders of America to get together and publicly accept the responsibility for unemployment, pledging themselves that hereafter, whatever else happens, they will guarantee to organize employment for all who are willing to work.

(1) **REGULATION OF PRODUCTION.**

(a) **EQUALLY DISTRIBUTED THROUGHOUT THE YEAR.**

Some of the essentials for the stabilization of production are: Knowledge by chief executives of the principles of economics and of the underlying principles governing business fluctuations. Accumulation of facts and presentation of data thoroughly analyzed to guide business policies and permit planning and budgeting. Conservation of assets in prosperity, avoiding undue increase
in plant and equipment and dividends. Avoidance of excess of inventories of raw materials, materials in process and finished stock. Avoidance in excessive sales that result in cancellations. Service to customers.*

Stabilized production would do much to improve prices and profits and to eliminate destructive forms of competition. It is a key to greater prosperity and the market is the direct approach through which research advertising, and educational promotional effort would complete the answer.

There have been many companies that have attempted and have been successful at the distribution of work throughout the year.

Many shoe manufacturers have commented on the leveling effect of hand-to-mouth buying on production. The Commonwealth Shoe and Leather Company of Boston, says that, before hand-to-mouth buying became customary, each year in February and March, and also in August and September, shoe orders for the coming season piled in so fast that they were unable to care for them adequately. This resulted in high-cost manufacture and lower quality in the finished goods. Hand-to-mouth buying has helped to level out these manufacturing humps. Maintenance of in-stock department has built up business in April, May, October and November, with the result that this company states that its factories have practically steady employment throughout the year.#

Diversifying the product.

The Policyholders' Service Bureau of the Metropolitan Life Insurance Company in 1925 studied the efforts of stabilization in the California Packing Corporation. This concern used to operate its canneries about


# Edwin S. Smith. "Reducing Seasonal Unemployment." p. 44.
six months of the year. At the time of investigation the season had been extended in many of its plants to 9 months and in some to year-round operation. The packing of spinach in the spring and tomatoes in the fall was a big step toward stabilization. To supply a ready supply, the farmers were encouraged to plant these crops, the company contracting for two-thirds of the output before the seed was planted.*

The Beech-Nut Packing Company, of Canajoharie, New York, developed the sale of tomato products in the fall to compensate for its summer-time demand for chewing gum and confections and also peanut butter to the line to balance more seasonal conserves.*

Creating out of season uses.

The General Foods Corporation, the largest merger in the package foods business, at first advertised Jello as a dessert product. To increase summer sales it has advocated its use in the making of molded salads, etc.#

The Hills Brothers' Company, who produce the "Dromedary" brand of dates, has been successful in leveling out the production during the year. In 1921, owing to the methods then in vogue, the huge volume of business did not bring regular employment to the workers. The curve of production, that is packing, shows a sharp peak. By the deep wide hollow which precedes the peak one can see the extreme range of fluctuation of employment. It meant hundreds of persons laid off and left without incomes, an impaired morale in the plant, and many industrial wastes.

As the result of the policy inaugurated in March, 1922, the company manufactures practically an even amount each month, basing the production schedule on the anticipated sales of the whole year. The production curve will, therefore, be either steady or changing gradually, and the peaks

# Ibid. p. 77.
and hollows in employment will be practically eliminated. This was largely brought about by finding out the best temperature at which dates kept and keeping them at that temperature.*

(b) STANDARDIZATION OF PRODUCT, STYLES, ETC.

Anything, that may aid in the process of regularizing production in the first instance regularizes employment, bolsters up consumers' purchasing power, and in turn provides the market necessary to keep production capacities going. To the extent that standardization may provide information leading to the control of business fluctuations or a technique of manufacturing to stock, it is an indispensable aid in regularizing employment.

Standardization cheapens productive processes, increases the per capita output and the per capita purchasing power and offers an equal opportunity to all to get a share in the increased business.#

Standardization affords a basis upon which commodity price competition is possible, and a basis upon which to make a definite, intelligible and sustained appeal for trade.#

Standardization makes possible purchase upon specification rather than upon brand or trade name, thus cutting the cost of the individual producer by avoiding the extra payments upon hypothecated "good will" born of successful or anticipated trade-mark or brand monopoly.

Reducing the items in a line to those which enjoy the quickest turn-over, the most certain sale, is a fundamental step in a program of regularization. When simplication has been achieved manufacturing in advance of orders may be undertaken with less risk. Also the fact that the line is

# "Industrial Standardization." p. 206.
freed of dubious items and represents only merchandise of tested sales value makes it easier to persuade the retailer to place orders early.

Simplifying the line is a continuous process. With the current emphasis on style, obsolescence takes place quickly, old items must be got out of the way and when desirable, new items substituted for them.

Despite its essential soundness, simplification is not always easy to put through. The retailer hates to see certain items on which his own customers may make occasional purchases disappear from a line. The manufacturer who simplifies in the face of the retailer's opposition must always face the danger that a competitor anxious to curry favor will offer the retailer what he wishes. Nevertheless there is much to be gained by simplification.

The need for more economic production during the World War gave the impetus to associated action for simplification and standardization. Through the Commercial Economy Board of the Council of National Defense, and later the Conservation Division of the War Industries Board each industry was requested to organize in order to consider the opportunities for simplification and submit specific recommendations. This method of putting the responsibility on to the business men themselves proved an excellent stimulus to thought, for as the various manufacturers gathered data concerning the multiplicity of styles and models, many realized more clearly than ever the wastefulness of unregulated production variations.

In July 1917, The War Industries Board was organized for the purpose of controlling all purchases for war purposes, conserving resources essential to the prosecution of the war, and carrying on a multiplicity of other functions calling for centralized control.
It controlled the awarding of contracts, the fixing of prices, the allotments of raw materials, power and labor. Non-essential industries, such as super luxuries, were discouraged, essential industries were encouraged. Its economies through standardization were great. It saved 50,000,000 yards of wool, 260,000 tons of tin plate...cut shoe colors from 81 to 6, etc., etc. When the armistice was signed the War Industries Board had prepared conservation programs for 269 industries. It was estimated that these programs would yield an annual saving of 15% in the quantity of materials used in the United States.*

The standardization work of the American Petroleum Institute has dated from its St. Louis meeting of 1923. The program of the Institute is one of the most complete and thorough to be found in any industrial field and is probably unique with respect to the speed and energy with which it was organized and set in productive operation.

The simplification, standardization and improvement of well oil-drilling equipment, was felt to be a national problem in the drilling field existing at that time, was accentuated, to a considerable degree, by the chaos of sizes, shapes and quality of drilling equipment and parts. "It was almost unbelievable... how little the ordinary operator knew about the material he was using. There were 20 odd different grades of steel used in pipe by various manufacturers. No two used the same tapered thread or the same character of connections. There were hundreds of different tool joints not interchangeable, millions of dollars worth of stock because of various notions about a particular joint for a desired purpose when half that material would ordinarily be required."

Trade Associations of manufacturers or producers of raw, semi-finished or finished producers' goods have made great progress in standardization.

* "Industrial Standardization." p. 12.
# Ibid. p. 36.
An automobile is 70% minor parts. In one year General Motors reduced the variety of these 84% thus-

1. Reducing the cost of parts.
2. Simplifying service problems.
4. Affording purchasers better value.

The parts were reduced from 13,000 to 2,100.*

(c) SIDELINES.

We have noted the successful application of the policy of selling at cost or thereabout in the case of elastic-demand articles like clothing as a means of keeping a plant busy in off seasons. The policy degenerates into a stampede of price slaughter at a time of general depression such as set in during the latter part of 1920. Such price cutting can be used as a desperate makeshift to "get out from under" accumulated stock but not as a means of keeping a plant busy. When there is no demand or an insufficient demand for the products of the company to keep its plant busy, the only alternative to a shut-down is the placing of new articles on the market.

Diversification of product is probably more certain to succeed if the supplementary "filler" is of the same general type as the main line, unless the company can afford to make extensive experiments.

There have been many examples of companies which have added side lines and have been very successful with them. The meat-packing industry is a fine

The text on this page is not clearly visible due to the image quality. It appears to be a page from a book or a document, but the content is not legible enough to extract any meaningful text.
example of this. Formerly many parts of the animals were thrown away as they were prepared for market, but now all or practically all of the animals are used in one way or another.

Some of the advantages of diversifying or the adding of sidelines are: minimum production costs, reduction of selling costs, lower packing and shipping expense, better use of by-products and scrap, and the greater variety of work breaks shop monotony.

Although a policy of diversification may bring definite and important advantages to a seasonal business it also imposes definite and important difficulties. The concern which is trying to decide whether to bid for new business by adding new products can afford to overlook neither the one nor the other. When one adds a new product there is the chance that the present selling force will not be able to handle its sales adequately. The present dealer outlets may prove the wrong distributive channel.

LONG TIME POLICIES.

There are two ways to run a business, let the things happen; then adjust to fit the events, or, to forecast possibilities; then mold events to get the results you want.

There have been numerous instances in which the individual businessman, by conducting his business with reference to the business cycle, has avoided dangerous over-extension of inventories and fixed capital which in many other instances resulted in unemployment and business failure during the cycle.

While the individual can not in any large way influence the general situation or entirely avoid the losses incurred in periods of depression
he can in most cases by foresight keep his business fundamentally sound.

By proper planning, the business cycle, may in a sense, be partially controlled. We have available a number of professional services which are exceedingly valuable over a period of years. These include among others the "Babson" the "Brookmire" and the "Harvard."

There has been an increase in the use of scientific forecasting by individual companies, including the Dennison Manufacturing Company and the Walworth Manufacturing Company.

Business forecasting requires four things:

1. The collection of data. (statistics)
2. Knowledge of Economic principles.
3. Perspective based upon the past.
4. Good sound judgement.

The Federal Reserve Board by the elasticity of bank credit, by the elasticity of note issue, by the control of credit, by the function of the Board, that is, by the careful use of pressure and by the psychological effect, may have some adjusting influence upon the business cycle.

There are available indices for practically every type of industry and for general conditions as well. These indices vary in reliability but by the artful choice, suitable results are obtainable.

The policy of looking ahead has demonstrated its value in so many fields of business operation that it is natural that industrial executives should try to make of forecasting as scientific and accurate a tool as possible for stabilizing plant activity or where that is impossible, for being forewarned of impending changes. Various trade indices, while not an infallible guide of what to expect, have nevertheless proved helpful in understanding certain phenomena which exert a considerable influence on
business conditions. Blind faith in these barometers is likely to have consequences as unfortunate as a complete disregard of them, but used with discretion they have proved of considerable help in planning for the future.

The business cycle, in all probability, can never be entirely controlled, but by the correct use of the "Services" available, by the use of scientific forecasting, and by the actions of the Federal Reserve Board the severity of the business cycle should be somewhat minimized.

The practice of looking ahead and planning soundly for the future has, as an indirect result, the avoidance of wide fluctuations in size of working forces. During a period of buoyancy it is not necessary that a possible reaction be discerned on the horizon, for the policy of sound planning for the future to bear fruit. The temptation at such a time for over-expansion can be held within conservative bounds by an examination of past history, of growth over a long swing, which will show what is safe to expect in the future. If expansion can be held to a rate of growth which may reasonably be expected to be maintained, there will be no need, when the inevitable decline sets in, of cutting away a mush-room-like growth to restore the business to a healthy condition.

Planning production in advance and with reference to the business cycle, laying out extensions of plant and equipment ahead of immediate requirements, with the object of carrying through such construction plans during periods of low prices in conformity with the long-time trend, the accumulation of financial reserves in prosperity in order to mark down inventories at the peak, and the maintenance of a long view of business problems rather than a short view, will enable firms to make headway toward stabilization.
The firm which approaches a period of depression in the strongest financial condition is most likely to be able to give its workers steady employment, provided it has planned properly.

Mass production is predicated upon constant production, and it is expensive if the operation is halted or stopped. Under such a system it not infrequently happens that fifty per cent. of the cost of an article is due to plant stoppage, for that cost continues whether the plant is in operation or not. That is why a business is often encouraged to sell its output at a loss. If the planning is done correctly we can avoid the loss and insure the plant of continuous operation when keyed to meet the demand and not to exceed it.*

It is easy to cut a price, but it is difficult to reconstruct the price structure after it has once been pulled down. The constant lowering of prices is an endless process. In this downward trend of prices there comes a time when the selling prices are below the cost of production, profits are dissipated, and the business is conducted at a loss. In this wild scramble for volume, industry must learn that distress lurks just ahead and the only remedy lies in the rationalization of output and systematic forecasting.

The cautious anticipation and advance planning of our progressive firms is further illustrated by the following statement of Henry Ford:

"Also we do not want to be held up in production or have the expense of production increased by any shortage in a particular material so we have for most parts worked out substitute materials. Vanadium steel, for

instance, is our principal steel. With this steel, we can get the greatest strength with the least weight, but it would be not good business to let our whole future depend upon being able to get vanadium steel. We have worked out a substitute. All our steels are special, but for every one of them we have at least one or possibly several, fully proved and tested substitutes. And so through all our materials and most of our parts. In the beginning we made very few of our parts and none of our motors. Now we make all of our motors and most of our parts, for we find it cheaper to do so. But also we aim to make some of every part so that we cannot be caught in any market emergency or be crippled by some outside manufacturer being unable to fill his orders."

Planning worked in the case of the War Industries Board. Quite true there was a decided emergency existing at the time. Wastes in industry were eliminated, excessive numbers of designs, etc., were eliminated, costly elements of competition were eliminated, it insured a steady supply of goods, it provided stability of prices at the lowest possible level.

(3)

RESERVE WORK, REPAIRS, IMPROVEMENTS

The slack time of industries, and there may be slack time even with the best of management and planning, may be used to stabilize the working week by using the men who otherwise might be idle, in doing odd jobs around the plant such as repair work, painting, etc. There are companies that plan building operations for the periods of depression and specify that much of the labor, for the construction, be taken from the employees of the companies.

Moreover, the business man whose business has developed to a point

where the demand for his finished product is in excess of the capacity to produce is always beset with the arguments of his sales organization desiring to see plant capacity balanced with the apparent selling capacity, and on the other hand by the salesmen of construction companies who, like his own salesmen, assure him that construction costs in the future will inevitably be higher than they are at present. While it is desirable, therefore, to postpone as many types of permanent construction work as possible until periods of depression, the real hope that this can be accomplished as a matter of wide policy is dependent on the possession by business men of data showing fundamental conditions with reference to periodic fluctuations.

(4) ECONOMIES.

(a) ELIMINATION OF WASTE.

Excess and idle capacity represents a loss of time and energy involved in its creation. The public which buys the output of the active portion of an industry is compelled to pay the carrying charges for the idle portion. The system is economically unsound.

The Wool Institute reported in 1927 a mill capacity of $1,750,000,000 against an actual production of $656,000,000.*

The printing trades are 50 per cent. over-equipped, while paper mills are now suffering acutely from overproduction.*

The machine-tool industry has run at 65 per cent. of capacity for the past ten years.*

American cement mills have a developed capacity for 260,000,000 barrels a year. The present demand is for 150,000,000. In other words we have forty per cent. more capacity than demand.*

Herbert Hoover, when Secretary of Commerce, said that:

"The primary duty of organized society is to enlarge the lives and increase the standard of living of all of the people. The whole basis of an increased standard of living, of better human relations, of national progress - indeed, of the advancement of civilization - is the continuous improvement of the production and distribution.

"While we currently assume that great advancements in living standards are brought about by new and basic inventions, an even larger field for the advancement of those standards is found in the steady elimination of our economic wastes. We have probably the highest ingenuity and efficiency of any nation. Yet our industrial machine is far from perfect. The wastes ... all ... combine to represent a huge deduction from the goods and services we might all enjoy if we could but eliminate these. ...

"The necessity of maintaining a high-wage level requires that all processes of manufacture and distribution be reduced to the lowest possible cost. This may be done by the elimination of those wastes arising out of too high a degree of diversification in certain basic products. Today dozens of different sizes, styles, types, and patterns of the most commonplace articles are placed on the market by manufacturers who must possess special equipment and skill to produce these endless variations. Merchants accumulate great stocks that turn but slowly because of the excessive diversity and lack of interchangeability in their components. Because of this situation many manufacturers and distributors favor cooperation for simplification and standardization.

"The saving in national effort through such cooperation, as demonstrated by many well known examples of simplification and standardization, runs into
millions of dollars. There is a great area still untouched in which the application of these waste eliminating measures may well save not millions but billions. The consequent reduction of manufacturing, selling and distribution costs, and the release, for active use, of millions now tied up in slow moving stocks, combine to yield savings eventually reaching the consumer in lower prices, thus increasing his real wages and assisting him to a higher standard of living. The rate of our advance must be, and will be, in proportion to the extent in which we all cooperate for the elimination of waste."

The bituminous coal industry is an illustration of a bad situation involving loss alike to capital and labor. If we are going to have continuous prosperity in the bituminous coal fields, it is necessary to organize the industry as a whole and to take out of production - so far as may be - sub-marginal mines; and concentrate it in the more prosperous fields, and to limit production to effective demand. Only in this way may labor receive continuous employment and fair wages, and enormous loss of capital be avoided. How this is to be brought about is not easy to say; but certainly it means that those in the industry must work together on a definite basis.

(5) COORDINATION OF PRODUCTION WITH THE SALES DEPARTMENT.

Give any firm assurance of distribution of a certain volume of goods, and it should have little difficulty in regularizing employment; the technique of production planning has already advanced to the point that makes exact scheduling possible. The inability to gear production to normal requirements is forcing industry to sell below cost; below the cost of upkeep of the capital-labor investment. It is forcing cut-throat competition between industries and

nations. The gap between supply and demand tends to grow wider and wider.

Production and employment could be kept at a constant level if the balancing were done on the side of consumption, and the public, instead of buying what it wanted, were compelled to take what was given it. Russia, in conducting such an experiment, is the only country over which the shadow of unemployment has not fallen.* Production has been stabilized, but by saying what food the people shall eat, what clothes they shall wear, and drawing the pattern of existence to which their lives shall conform. It is inevitable that any prescribed level of living shall be a lower level than that which would be attained by the exhilarating stimulus of individual striving.

Proper coordination between the production and distribution departments may be brought about in part by distribution research, diversifying the product, modifying the extremes of style changes, getting the customers to buy more regularly, securing orders well in advance of the needs of dealers and seeking new markets.

The Campbell Soup Company is in a position to sell as many cans of tomato soup as it can produce. It has no difficulty, therefore, in obtaining future orders. This in turn enables it to contract with the farmers for the amount which must be grown. 'Futures' are also sold in pea soup. In general, it should be pointed out that in the canning industry future orders have been fairly easy to obtain despite hand-to-mouth buying.**

While the Dennison Manufacturing Company was turning away orders for their products at the height of prosperity in 1919-1920, the company developed two new products, one a crepe paper hat for festive parties and the other the use of sealing wax as a plastic material for objects of art and

* "Business Cycles and Unemployment." p. 175.
** Edwin S. Smith. "Reducing Seasonal Unemployment." p. 120.
adornment. At the time these products were developed, the company was the largest producer of sealing wax in the country and one of the largest makers of crepe paper, which it had originated. To have put the new products on the market would have required new buildings and machinery. Nearly everyone at the time was making such extensions; competing for the labor, materials and equipment of the building industry and causing prices already inflated to soar still higher. Not so the Dennison Company.

(a) STIMULATED BY ADVERTISING.

When business depression sets in, the cry goes out to "reduce your overhead". Business experts counsel it, trade papers admonishingly repeat it, banks insist upon it, company presidents order it, and plant executives ruthlessly apply the pruning knife. One of the first items in overhead to go by the board is advertising.

Bearing in mind the recurring phases of the business cycle, what should be the policy of the manufacturing concern which normally sets aside a certain amount of money for advertising? To this, as to many other questions that have been discussed, the Dennison Company contributes a most considered judgement. It advocates a normal annual appropriation for advertising. Instead of spending the actual appropriation year by year, however, this company believes in spending it sparingly in good years, when orders are plentiful and accumulating the savings from the appropriations of the preceding years to be spent during the depression, when increased selling efforts must be made to maintain the volume of business.*

This policy seems not only sound and in harmony with the general policy of trying to flatten out the curve of the business cycle, but it

* Ibid. p. 126.
seems also to be within the means of most of the concerns which do national advertising.

(6) REGULATION OF TIME.

(a) AVOID OVERTIME.

As a usual practice it is advisable in an industrial plant to avoid as far as possible the overtime work. If the work which would ordinarily be done after the regular hours were spread over a period when work was likely to be slack, the employment would tend to be more stable. However this is not always possible, for "rush jobs" have a way of getting in and they must be done and done quickly, with the result that overtime work must be used.

(b) CUTTING WORK DOWN TO PART TIME.

When work is slack it is almost imperative that the workers' time of employment be cut down, or certain workers dispensed with.

Some companies have found this division of work unsatisfactory for the reason that the most desirable employees are usually the most ambitious, and if part time operation is too long continued these employees seek other work where they may earn more. As a result, after a protracted depression the company may find itself with a residue of the least competent workers when more active operation is resumed. One company aptly described it as "the survival of the unfit."* 

In the event that it is necessary, for one reason or another, to reduce production, this result may be accomplished in different ways. One method is to reduce the working force to the point where the employees who remain are just sufficient to produce the desired output with full-time operation. An alternative method is the retention of the whole or most

* "Lay Off and Its Prevention." p. 27.
of the existing working force and the distribution of the available work among them, on some equitable basis.

(c) STAGGERING EMPLOYMENT.

A popular suggestion among many business men for dealing with unemployment has recently been the "staggering of jobs," during periods of depression. This policy of staggering jobs, however, while preventing the abject destitution of many workers, would in no sense increase the purchasing power of the workers, nor would it deal in any fundamental way with the causes of unemployment. Yet, it is better to have 100% of the employees work 80% of the time rather than 80% of the employees working 100% of the time.

(d) INTER-DEPARTMENT COORDINATION AND TRAINING OF MANY JOBS INSTEAD OF ONLY ONE.

The economic advantage in many industries of maintaining intact the stable force of skilled workers despite seasonal fluctuations in demand had moved a number of manufacturers frankly to attempt employment stabilization measures within their plants, irrespective of policies designed to regularize production by more aggressive selling or any other method outlined.

They have sought stabilization of their own working forces by the careful instruction of workers in more than one type of work. The workers are then transferred from job to job to keep them employed, and in some instances are used for repair work, cleaning up, painting up, etc.

The desirability of transferring the worker rests largely on his ability to make the change with a minimum of loss to himself and to the company. Unskilled and semi-skilled employees may be transferred with little trouble; but in the case of occupations requiring skill or special knowledge, such
changes can be accomplished only when a contingency of this nature has been foreseen and provided for by teaching the worker a variety of operations in the course of his employment.

For example, the automotive plant has made it a practice to institute frequent transfers so that the workers will know a number of operations. The company reports that this scheme prevented favoritism, kept workers from "getting in a rut," and brought to light a number of promising men who might otherwise have worked for years without recognition.*

Other companies have used the slack period to teach the workers a variety of operations.

It should be noticed that considerable balance may be maintained by securing versatility in only a small proportion of the labor force. This may be seen when a firm organizes a special squad, one of the best known instances of which is the "Flying Squadron" of the Goodyear Tire and Rubber Company of Akron, Ohio.

This squadron was first established as an experiment to secure a more perfect balancing of production than the other methods allowed and, at the same time, to capitalize the opportunity offered of building up a group thoroughly trained in the rubber industry and capable of promotion. A three year course of training has been set up, and the instruction so arranged that the firm manages to get the men over all the major production operations in that time. In addition to the shop training the men attend regular school classes one hour a day during the entire period, and such subjects as rubber manufacture, organization and management, and business economics are taught. ... The aim of the firm is to have this flying squadron include about 5% of the total number of factory employees. This

* "Lay Off and Its Prevention." p. 16.
proportion, according to the personnel department, balances production successfully.*

A few companies have successfully stabilized employment by creating a labor supply department to meet the demands for additional labor made by the various sections throughout the plant. Instead of hiring extra men for a busy department, or to fill in when the regular employees are absent, a requisition is made against the workers maintained by the labor supply department. These men do all the odd jobs about the mill when not occupied in the various departments. When a permanent vacancy occurs in any department, those in the labor supply are given the first opportunity to qualify for it.#

Inter-departmental transfer is an element in regularizing employment. For example, in Sears, Roebuck and Company, the huge Chicago mail-order house, the payroll for the toy department varied during 1923 from 80 in June to 800 in the middle of December. If arrangements for shifting workers between departments in accordance with requirements were not practiced, the irregularity of employment would be extreme.**

# Ibid. p. 267.
** Ibid. p. 268.
Many plants throughout the country have made attempts to stabilize employment. Some of these have been successful while others have not reached the goal that was sought. Many of those which have been unsuccessful, are so because of the most unusual depression of the past few years. I shall relate some of the activities of some of the establishments to curtail unemployment and to stabilize employment.

Mr. A. Nash of the A. Nash Company, (the Nation's tailors) of Cincinnati, Ohio, long preached the feasibility of practicing the Golden Rule in industry. Ownership by the workers is an accomplished fact, for the employees of this company own a majority of the stock and control the business. He has, at the same time, built up a plant which does an annual business of about ten million dollars. His desire to treat his employees as he, himself, would wish to be treated led him to make two moves which are almost without parallel in the economic world. The first was to urge his employees to join the Amalgamated Clothing Workers of America, so that they might be strong enough to protect their own interests; and the second consisted of turning over to his workers the new issues of stock that were based on reinvested earnings. As a result, the employees, through their stock ownership, now control the Board of Directors, and consequently the management of the establishment; and in addition they are completely unionized. There is a system of profit-sharing, and also a fund to provide for employees in periods of involuntary unemployment. The size of the A. Nash Company does not permit the use of direct democracy form of industrial government such as is in force in the Columbia Conserve Company; in their dealing with the company, the Nash employees, as such, are represented
by their union.

In a letter, from the President of the A. Nash Company, dated February 7, 1933, I found that the volume of business has, of course, decreased over the few preceding years and a shorter working schedule was established for the purpose of maintaining the organization and sharing work with all. The work was distributed equally, affording an opportunity to continue the entire working force on a shorter working schedule.

The Hickey-Freeman Company, of Rochester, New York, manufacturers of better suits and overcoats is another clothing company that has sought to stabilize the working week.

The Hickey-Freeman Company found that lay-offs in the overcoat shop between seasons proved very costly. It made arrangements with woollen mills to purchase cloth in advance of the usual season, at a reduced price. This saving was passed along to the retailer, provided he placed part of his overcoat requirements in advance of the usual selling season. Salesmen for this company book orders in February for the September delivery, the retailer saving $2 to $3.50 per coat by ordering at this time. The prices on overcoats are definitely advanced after February. ... The company states that this arrangement has made possible steady production in its overcoat shops and steady employment for cutters.

Among shoe companies, the J. F. McElwain Company, Nashua, New Hampshire, is notable for the fact that its factories run on practically an even basis throughout the year. This is largely made possible because it has relatively few customers, and because of the type of relationship it has established with these customers. About 80% of the output is sold to the Thomas McAn stores, which are owned by the Melville Shoe Company. These two concerns enjoy a

contractual relationship by which the Melville Company guarantees the factory its cost of production and each company shares in the profit from the final retail sales. ... The customers of the McElwain Company, besides the Thomas McAn stores, are few in number and although no contractual relationship exists with them, a close understanding of their needs makes possible getting orders early with resulting leveling of production to a much greater extent than is ordinarily found in the shoe industry.*

Crocker-McElwain Company and the Chemical Paper Manufacturing Company, a subsidiary, manufacture fine writing papers, index bristols, covers, and box boards. They are under the same management and both plants are located in Holyoke, Massachusetts. The works council consists of representatives of the employees in each of the various divisions of the company and two representatives of the management.

There is comparatively little seasonal unemployment in these organizations. What irregularities there were, have been ironed out by the management, through coordination of sales and production, provision for storage facilities and winning the cooperation of the retailers.

While the introduction of improved machinery and methods displaced workers, it has in some instances meant an eventual increase in numbers.

A strike in May 1920, served to crystallize the management's thinking concerning industrial relations. ... In view of the fact that the paper industry requires for certain of its operations highly skilled, experienced workmen, it is particularly desirable to keep the turnover low. Some form of protection against unemployment seemed to offer the most likelihood of achieving this purpose as well as destroying one of the primary causes of labor unrest. On the basis of records for several years past, it was first concluded that a 52-week

employment guarantee for workers who had been employed for 10 years was feasible. After further consideration the management was willing to guarantee uninterrupted yearly income to all workers who had been in the employ of the firm for five years. It was the avowed purpose of the management so to shape their policies as to keep their five-year men and as many others as possible steadily at work instead of paying them for idle time.

The guarantee of employment plan of the Crocker-McElwain and Chemical Manufacturing Companies applies to wage-earners of five-years or more of service who tend to comprise an increasingly large proportion of the total number employed. Turnover has fallen and regularity of employment increased during most of the period of the plan's operation. The management is inclined to give the guarantee plan much of the credit for the stability of their force but regularization is due to the company's effort to conduct the business as efficiently as possible.

The wages made up, which correspond to layoff benefits in certain other companies, amounted to about one-half of one per cent. of the pay roll in the period 1921-1928, while contract work, which is chiefly for maintenance, cost approximately 3 per cent. Company executives are convinced that they have been largely repaid for this expenditure by increased efficiency. Nevertheless the burden of maintaining full-time wages is a heavy one in a depression period, and it is probable that were the management to formulate a new plan limitations would be placed on the period guarantee.*

The Dutchess Bleachery, of Wappingers Falls, New York, recognizes the obligation to supply good working and living conditions, and great improvements have been made in these matters. Through a committee of employees, a joint committee of workers and management, and an employee representative

on the Board of Directors, the workers are kept in touch with the facts and problems of the business; and there are definite working agreements between employers and employees. But it is not intended that the workers shall become owners in the business and thus the arrangement fails to meet a final requirement in industrial democracy, which some other companies have sought.*

The Columbia Conserve Company, of Indianapolis, Indiana, has been conducting, during the past fifteen years, a most interesting experiment in industrial democracy. I shall not attempt to go into the development of this plan and the history of it. It has, however, sought and accomplished, to a certain extent, the stabilization of the working week. This has been brought about by the careful planning of work in regard to the demand and also by the shortening of the working week.

The Columbia Conserve Company, with over 100 employees, has adopted the idea of long vacations as a means of awaiting out slack periods. Having used considerable ingenuity in regularization and found that, nevertheless, a slack sometimes occurs, the firm gives the employees three weeks' vacation in the summer time and ten days around Christmas time. The company's policy is that six months after an employee has joined the firm, or soon thereafter, he is put on a salary basis, with not merely yearly employment in mind, but actually an intention of life tenure. This, according to the president, means that, barring adversity, the firm will take care of the employees it has to lay off even if this involves months rather than weeks of vacations.

In the words of William P. Hapgood, the President of the Company:

We are believers in democracy—in the right of each human being to participate in the important activities which mold his life, to make the

laws which govern his conduct, or to delegate such power to others of his own choosing. We began to apply this faith in democracy to our own business in 1917, and we have the following results to relate:

Our business is controlled completely by our workers, the ownership of stock giving its possessor no more rights than those workers who possess little or no stock. As many of us, as may wish to do so, sit in council to make the laws of our business, and to determine its policies. There is no longer any fear of unemployment among those of us who have served an apprenticeship and who have been accepted as satisfactory by our fellows. We are paid by the week and retained by the year. We can be discharged only by vote of our associates. No deductions, except by explicit action of Council, may be made from our weekly checks. We are paid when we are sick, and in our old age we receive pensions sufficient to give us the comforts of life. These pensions vary with our needs and not because of our position with the Company. We, and all our dependents, receive complete medical and hospital care without cost to us individually. Each one of us who has been with the Company for twelve months is given a vacation of three weeks with full pay. For eight months' service we receive two weeks, and for four months' service one week.

We believe in payment on the basis of need rather than on the basis of efficiency. It is our belief that, in a democratic society, not only is liberty fundamental to the existence of such a society, but approximate equality of income is essential to the development of that fraternity without which democracy is a creed and not a manner of living.

Under the form of government which we have described, our business has increased in volume, in profits and in standing with our customers. Most of us have progressed in the knowledge of our own special work, and
in the business problems with which all manufacturing concerns have to deal—production, sales, finance. Individually our incomes have increased, our education has been broadened by the social as well as by the business problems with which we have faced, and most of us are happier than we would be in a less democratic society.

Soon, out of the profits of the business, we shall own all its common stock. When that time arrives, it is our belief that we shall not only take entire care of ourselves as we do now without seeking help from other citizens, but that we shall be able to assist other workers who may desire our aid, to build similar democratic societies.*

On February 18, 1931, announcement was made by James Gleason, president of the Gleason Works and chairman of the Industrial Management Council of the Rochester Chamber of Commerce, that fourteen companies in Rochester had adopted the Rochester Unemployment Benefit Plan. Since then five other companies have come in, and it is expected that others will follow. These concerns normally employ 28,000 persons, approximately 40 per cent. of the industrial employees of the city. ... 

Before describing the plan, attention should be called to steps which already have been taken by these companies to reduce fluctuations in employment. Many of them for a number of years have given serious thought to stabilization methods. Some of them have entirely eliminated seasonal

unemployment and had reduced to a minimum, unemployment due to business depressions. Some of the methods that have been used are accurate forecasting of sales, careful planning, scheduling of production, and building up inventories during slack periods, diversification of products, education of public vs. seasonal buying, changing hours to meet changes in volume price concession during off-seasons.

These companies have also during the present depression done as much repair and maintenance work as possible in order to keep the force employed.

All this stabilization work could not eliminate the unemployment during this world-wide depression and the problem remained.*

In the opinion of the management of these sixteen concerns the plan will be advantageous to the companies, the employees and to the communities in general. With the additional incentive provided by the adoption of an unemployment relief plan, employers will undoubtedly strive to find additional means to reduce fluctuations in employment.‡

The General Electric Company has sought, with other progressive companies, methods to keep the workers continually employed. The success of the plan has suffered with the others, due to the adverse conditions, yet as a means to the end, the company has formulated these plans:

G. E. Plan.

When business is increasing:

1. Increase the working force by adding employees as slowly as possible.

2. Increase the number in especially busy departments by transfer from other departments.

* "American Industries." pp. 4-5.
‡ Ibid. p. 9.
3. Resort to overtime in particular departments and generally before increasing the working force.

4. Postpone plant renewal and maintenance work as much as possible. Employ the men on regular production. When orders begin to fall off:

1. Cease hiring at once.

2. Cut out all possible overtime and bring departments down to the normal week.

3. Transfer people from slack to busier departments.

4. Stimulate the sales department to secure co-operation from customers and get business for future delivery.

5. Build standard apparatus for stock up to .... months shipments, based on average of last three years sales, adjusted to expectations for the next two years.

6. See that stocks at all factory and district warehouses are brought up to this maximum.

7. Use men on maintenance and repair work, bring the plant and equipment up to a high standard.

8. Cut the working week as generally and gradually as possible, by departments.

9. Proceed with construction of increased plant facilities previously planned, using our own men as far as possible.

10. Drop new employees with less than one year of service - single people with no dependents and who are most easily spared first - always with not less than one week's notice.

11. In accordance with our custom established for some time, employees
should be told whether it is temporary lay-off due to lack of work, or permanent lay-off, and in every instance of permanent lay-off the usual compensation if any, should be paid, depending upon the character of work, age and length of service.*

Under the Proctor and Gamble plan the workers are guaranteed forty-eight weeks of employment a year. This, however, does not apply to all factories. The company insists upon the purchase of company stock equal to the annual salary. The plan does not provide for those who receive more than $2000 per year. All costs of the plan are borne by the company.

R. R. Deupree, president of Proctor & Gamble, has said in talks recently that he finds generalities and theories about stabilization very perplexing, but that nevertheless the management of his company, by setting years ago the definite objective of steady employment for its workers has come to know business far better than it did.

"I think that you have to start back with William Cooper Proctor almost fifty years ago now, fresh out of Princeton, full of ideals and ideas. Mr. Proctor came to Ivorydale about 1882, convinced that something had to be done in regard to the labor situation if a manufacturer was to succeed as he should succeed commercially. I think that that was his original idea and I think he started to work on the labor side of our problems with that in mind. But very shortly he turned over to a viewpoint like this, that if you improve and better the working conditions, the living conditions of the employee, that automatically would reflect in a better commercial position. I think that for the last forty years Mr. Proctor's thought in all of the labor problems has come from that end rather than thinking of the commercial end first."

"I will mention one more thing. When we build a plant today — for instance, we built a plant at Baltimore that cost $5,000,000, and we are projecting one in California — we build not for a peak production, which is essential if you don't run uniform, we build for a uniform production; and every dollar's worth of material that is put in there is used 365 days a year. We get service out of our money invested, and we are not building for peaks, we are building for uniformity.

"I will say one thing more, for someone has intimated that we have a very steady, even-flowing, easy-going business. I am going to tell you something. A man said to me today — a large banker who is in industry: 'Well, could you do that if you were producing pianos or automobiles or crushing sugar cane?' He happened to hit somewhere near home when he mentioned sugar cane, because we crush cotton seed. I didn't answer him on pianos or automobiles, because I don't know anything about them. I answered him, though, on cotton seed.

"Nobody, nobody in industry, has ever tried to run a cotton seed mill twelve months in the year. In the first place, they didn't know how to keep the seed fresh. The seed moves in three or four months. The average season is from four to six months to crush cotton seed. When Mr. Proctor got into that business and put his mind upon it, as he did four years ago, and found these mills running four months, he nearly died.

"He started to work and had every mill in the South equipped with large storage tanks, and some of the tanks cost more than the mills, to store the seed; and then he discovered or found a way to keep the seed from molding or heating, which is the danger, until today he is equipped to run every mill he has, fifteen of them, the entire year. This year we are running three of them eleven months, and the reason we aren't run-
ning the others is that the Lord wasn't kind and didn't send enough seed in the locality to let us run them.

"We haven't all clear sailing in our business, but I am trying to make the point that once your mind gets running in a certain way; once you believe in this idea of striving for uniformity of employment, every time you touch an employment problem your mind runs toward that."

"So you will appreciate that the guaranteed employment plan didn't pop out. It was a sort of culmination of all the things that had gone before it; and when the terrible experience of 1920 came along, Mr. Proctor in his characteristic way, said: 'It is all wrong. With all the plans that we have in effect, with the profit-sharing plan, the pension and benefit, a sickness plan, a plan for buying stock and helping every employee to do that, it is all wrong because the main support is missing and that is a steady job, a job that a man can count upon - well,' as he put it, 'for at least forty-eight weeks of regular work full time.' The whole structure is wrong, missing that, and his very vigorous way, when once he had made up his mind that a thing was right, he went out to find a solution, and he found it as far as our business is concerned. And about 1923 he put into effect his plan of guaranteed employment which in effect is a guarantee of the forty-eight full weeks' work.

"We do limit it this way, that a man must work six months with us before he is eligible to the plan. We must have an opportunity of judging whether or not a man is of the proper type; we must have an opportunity of judging whether or not he is the kind of man we want around the plant. We give him the same opportunity to take a look at us to see whether or not he wants to make his home with us."
"On the practical side of this plan, we have a leeway in the sense that in the six months' period there is a great turnover, there are a lot of people coming to work who have not an idea of staying. I think it would hurt them to stay in a job over three or four months, so that there is almost a complete turnover of that force which is equivalent to approximately 10 per cent of our labor. This gives us that leeway on our guarantee of forty-eight weeks to the regular workers.

"In a business like ours the whole procedure is that we estimate what business we are going to do over a twelve months' period, and we divide it into forty-nine weeks. That is the first safety valve, so to speak, that we have. We take the production, divide it by forty-nine, instead of forty-eight. That alone gives us one week leeway in our guaranteed employment.

"In a staple business, and there are a number of them, if a man is on his job and knows his business, he ought to be able to guess that business within 5 per cent. We may have a peculiar business, - I don't know - I know it is different from a lot of them, but over a three-year period our estimates of our shipments did not vary two per cent. of the total. In other words we were within two-thirds of 1 per cent. each year.

"Mr. Proctor believes in what he calls an economic security. When I quizzed him on that he said: 'I mean a job security, a security of a job.' Then if a man is willing to work he should be given an opportunity of working.

"The greatest difficulty, if you want to know it, in putting in the steady employment basis, is that the entire management of the company must assume the responsibility for the continuance of that employment."
I will put it in another way. Once he starts that schedule, that schedule goes.

"It has helped us in our business, and it has helped us better to plan our business. It has been of value. It has brought down the cost. I want to mention that it has decreased our cost over a period of years as near as our people can estimate, it is entirely responsible for the familiarity of the person with the job, it has been a potent factor in reducing cost per unit to produce. It has not increased cost per unit."

The Dennison Manufacturing Company, of Framingham, Massachusetts, was among the pioneers of the establishments of this country to recognize the importance and the responsibility of the employer to take care, in one way or another, of the men in its plant who became unemployed. In 1916, the company set up a plan to compensate and insure the workers against unemployment. The cost of the plan was to come from the profits of the company. The Dennison Manufacturing Company has found, along with many other companies that have attempted to aid the workers in this way, that relationships between the employer and the employees have become much finer, that unemployment may be curtailed, and that the industrial working week may be stabilized to a great degree.

Among other companies having unemployment benefits and attempts of stabilization are:

- Rockland Finishing Company, Inc.  S. C. Johnson and Son
- United Diamond Workers, Inc.  Leeds and Northrup Company
- John A. Manning Paper Company, Inc.  American Cast Iron Pipe Company
- Manning Abrasive Company, Inc.  Brown and Bailey Company
- Consolidated Water Power and Paper Company

The American Federation of Labor has taken a very active interest in the problem of unemployment and its related subjects. This is, of course, easily understood since the membership of the Federation is composed of men who are greatly concerned with the problem.

President William Green, of the Federation, is naturally the spokesman for his group. He has in the past expressed the attitude of the Unions. In 1931, President Green, giving the program of the American Federation of Labor, stated:

1. "We propose the immediate operation of the five-day week and the shorter work day in all public and private industry.

2. The maintenance of the wage structure and wage standards.

3. Work assurance, - a guarantee to all those workers who are employed that they are secure in their positions and through the application of the shorter work-day and the shorter work-week, all would be accorded an opportunity to share equitably in all work available.

4. The prohibition of child labor and the employment of adults in order that the slack of unemployment may be taken up.

5. The stabilization of those industries, with particular reference to those which are classified as seasonal in character.

6. The application of a more scientific plan of industrial production so that a stable balance may be maintained in order that production may be carried on systematically over longer periods of time."

Again, President Green suggests: "The consuming requirements of industry are very great. Interruption of the consuming power of the people is imme-

* "Community and Industrial Unemployment Relief and Prevention." p. 52.
iately reflected in the reduced volume of goods sold. This in turn results in unemployment and economic confusion.

"Steady, continuous employment with an annual income for wage earners would overcome this condition. Workers would buy and use if they would be guaranteed continuous employment with annual income. They would plan over the yearly period rather than the daily period. They would avail themselves of credit facilities and thus their annual buying and consuming power would be exercised beyond their annual earning power. Here is where management can serve industry through the application of orderly planning of production over a yearly period."

Occasionally, a man like William Green and others, in the American Labor movement, mentions the yearly wage, but few men in management seem to speak of it. Yet it is the yearly wage that interests the mason, the painter, the mechanic as well as the soap maker in the plant of Proctor and Gamble. Security and the chance to plan ahead, to know what one can count on, is far more important than the high daily wage.

It is interesting to discover, on examining the pay records of individuals who are thought to be highly paid, that the number of days' work a year, even in a good year in so many lines, averages about 120.

The average yearly pay of all carpenters in the country, for example is not as some would have us believe 300 x $14 = $4200, but much nearer 110 x $14 = $1540, and even that is high."

Credit for forcing reduction of the hours of labor must go to the labor unions; but, in a remarkably few cases has the reduction been made for the purpose of aiding the solution of the unemployment problem.

It is evident, however, that the shortening of hours cannot by itself

# Ibid. p. 33.
offer a complete cure for unemployment. Recognizing this, the American Federation of Labor has put forward another important proposal to regularize employment. In the words of the last Report of the Executive Council, "While individual production establishments must work out the problem of stabilization for themselves, there is needed in addition, team work by the whole industry and team work between all industries. To accomplish this there should be comprehensive planning by an advisory board, representative of all production and consumer groups. Such a national economic council should plan the machinery for achieving economic equilibrium, and undertake to secure the co-operation of voluntary associations and government agencies in a co-ordinated undertaking."

It will be seen that this scheme for "national planning" goes far beyond the boundaries not only of the technological problem but also of regularizing production in any particular industry. It aims at nothing less than so coordinating the activities of industry as a whole and so conditioning them to consumption so as to avert even cyclical depressions. It reaches down to the fundamental problem of discovering and applying a "technique of balance" with a view to avoiding the most formidable type of unemployment such as is created by a general decline in business activity.

The remedy of the shorter working week has been advocated by the American Federation of Labor for many years past. The first item in their program for meeting unemployment is the institution of the five day week of thirty hours. Already considerable advance has been made in this direction. A clear distinction must be drawn, however, between short time and a shorter working week. The former is simply a temporary expedient for curtailing production and spreading out the available work by employing the same number of persons for fewer hours with correspondingly reduced earnings. The latter is a permanent reduc-

tion of hours of labor, and unless the same weekly wages are paid as for the longer period, the earnings and purchasing power of the workers will be proportionately reduced. There can be little doubt that a further curtailment of hours will result from the increased facilities of production.

This process has already brought about a progressive reduction of the standard week from seventy-two to sixty, from sixty to fifty-four and from fifty-four to forty-eight and lower in the last hundred years. The shortening of hours has gone hand in hand with the improvement in real wages, and there is no reason why the same tendencies should not continue in the future. Their development is, however, conditioned by the development of productive efficiency and purchasing power. In industries where economic conditions are favorable, shorter hours will gradually be adopted without involving any diminution of wage rates. In some cases such measures may be expected to increase, or at least to stabilize, the number of persons employed in the industry and thus to mitigate the effects of technological displacement.

American employment reached its peak in 1918, production reached its peak in 1929. If this country returned today to the boom production of three years ago, 45 per cent. of the 12,000,000 unemployed would still be without work.

The Federation has taken its stand none too soon. The five-day week seems inevitable. It is sound economically, it is desirable socially. It must come sooner or later, and there is no advantage in waiting passively for its advent. It is incumbent upon government, labor, and business to speed its arrival. On the other hand many view the progressive reduction in working hours with disfavor. They resent the interference of labor and other outside organizations in matters of plant administration and are generally opposed to legislative
regulation of internal operations. They maintain that hours of work should be a matter of free individual contract between employer and employee.

The length of the working day should constantly be decreased with the increase in the productivity of labor. President Green estimates that the average workman produced in 4 hours in 1929 as much as he produced in 7 hours in 1919. The American Federation of Labor recorded itself as favoring the five day week at its Annual Convention in 1930, and declared that 48 national and international unions, chiefly in the building trade and the clothing industry, were in part enjoying that work-week. President Green, at the Progressive Conference in March, 1931, declared that the Federation would urge Congress at its next session to place government employees on a 5 day week, and in this way to furnish moral and financial support to the effort to overcome unemployment.

In the winter of 1930-31 bills were introduced in a number of legislatures providing for the five day week.

The demand for shorter hours as one of the ways out of the present dilemma is also being pressed by some of our engineers. Thus the Employment Code adopted by the Taylor Society, in December, 1930, reads:

"It is to be expected that the world's increased productive capacity should result in increased leisure for the workers, and it is to the advantage of the proper balance between production and consumption that industry should not be too slow to reduce daily and weekly hours as higher levels of output are permanently attained."

This demand is likewise being voiced in ever increasing volume by European labor... The introduction of the paid holidays for workers is another demand that should be pressed.

# Ibid. p. 7.
Free vocational education should be extended, so that the workers from industries in which the demand for labor is decreasing may be rapidly fitted for other lines of effort. If protection is applied to our veterans of war, why not to our veterans of industry?

The labor unions in the past have used the "strike" to marked advantage in the securing of their aims, especially toward the lowering of the working week. In fact, the union had the advantage not only when it organized the workmen in John Brown's mill but the workmen in twenty or a hundred mills in the same industry. Then, when John Brown's workmen went on strike, the workers in the other mills would contribute to support the strikers and enable them to hold out long enough so that John Brown would be forced to capitulate.

Inevitably combinations among the workmen stimulated combinations among employers to fight the battle against organized labor. Following combinations came consolidation; and wherever this has proceeded far, it has practically ended the chance of an even-handed bargain between the employer and the employee.

If the employees of the Brown mill in Buffalo go on strike, the corporation that owns that mill and a dozen or fifty other mills can shut down the Brown mill until the strikers are willing to come back.

The result has been that in the industries where consolidation has gone the farthest, labor unions have practically lost their power to protect the wage-worker. *

The shorter working week, if adopted generally would make a marked step forward in the stabilization of the industrial working week, for, the work could be apportioned better and would tend to keep the work "spread out."

Labor's attitude toward the introduction of new machinery and new processes has been in the making for many years. Going back in industrial history, in the very infancy of machine production, an antagonism to labor-saving machinery that has often resulted in bloody struggle. The introduction of the power loom, it will be recalled, brought a storm of protest from the hand weavers that resulted in the breaking of both looms and heads. It may be questioned whether a new labor-saving device has ever been accepted by the workers without a struggle. The fact that it is labor-saving is sufficient to set the workers against it. And naturally enough, one may hardly be expected to welcome the coming of a machine which will render useless a skill developed over a long period of years. This skill, in most cases, the worker's sole stock in trade; and he is anxious to keep it at work as the employer would be to save his business in the face of threatened competition. But economic progress and industrial advance demand that improved machinery and better technique shall be brought into service whenever they will result in lower costs.*

This attitude of opposition is understandable, but union opposition to new machinery cannot prevail as has been demonstrated time and again. Applied widely and effectively, a policy of this kind would mean tremendous loss to all members of society for the benefit of a comparatively few. If labor is not justified in benefiting thus at the expense of the general public, no more, of course, is management. There are frequent rumors, sometimes well substantiated, of patents being bought and smothered, at least temporarily, so that employers may not be put to the painful necessity of discarding machinery rendered obsolete by new inventions. This practice is on a par with union opposition to new machinery.

In addition to the attitude of the American Federation of Labor on the shorter working week, it further suggests or has suggested as methods to decrease the number of workers and thus to increase the stability of those now employed, the continued regulating of the supply of workers from abroad, and the raising of the school age.

There has been a growing sentiment against the employment of children in industry. This has culminated in the advocacy of laws preventing children from working, until they arrive at a definite age. A strong sentiment exists, however, in favor of child labor. The question arises as to whether the elimination of the child labor would have a marked difference in the number of adults employed or if it would have any definite effect on the stabilization of the working week. The report of the Massachusetts Emergency Commission on Unemployment states that:

"The commission recommends a progressive increase in the age at which children are permitted to leave school for work from 14 to 16 years, to be taken in two one-year steps, beginning with the school year 1933-34.

This would affect unemployment in two ways:

1. It would keep off the labor market at a critical time some thousands of children, who, as business recovers, will otherwise take jobs desperately needed after a long depression by their older brothers and sisters.

2. If the education provided in our public schools accomplishes what is hoped, some unemployment in the future may be forestalled by the better training of our children provided in these two critical years of early adolescense.

We are not convinced that the education provided at the present time for those who stay unwillingly in school is the best that could be given to this group, but we believe that a longer school life is one of the requisites for building citizens who will be better equipped than past generations to carry on the life of our Commonwealth."

* "Report of the Activities of the Massachusetts Emergency Commission on Unemployment." pp. 147, 8.
"Although 15,000 children 14 to 15 years old were employed during the last fairly normal year (1928), and the same number might be employed again when business is normal, it by no means follows that 15,000 jobs would have become available for adults, particularly for adult males, if these children were kept in school. ...

Young boys and girls are hired because they are cheap and because generally they can be laid off without qualms of conscience as to family obligations. If the labor they perform becomes more expensive - because older children have to be paid more - it is almost a certainty that some of their jobs will be mechanized or reorganized so as to need fewer workers. This happened to many common labor jobs - pick and shovel jobs and similar types of work - during and after the war when common labor became more expensive. Some of the 15,000 jobs thus would disappear. ...

Many of the jobs commonly given to children provide irregular employment, almost if not completely casual in nature. ... The result has been a high rate of unemployment for child labor."

Some unions of the Federation have agreements guaranteeing employment. The employers undertake to provide work for the normal work force during a certain number of weeks each year. Such agreements are in force in the local unions of the United Wall Paper crafts and in the Cleveland Joint Board of the International Ladies Garment Workers.

The Cleveland Plan#

"The Garment industry is particularly subject to seasonal unemployment. In many centers the seasonal dull periods are so severe as to make the total annual work period very short. In Cleveland, according to Mr. F. C. Butler, Manager of the Cleveland Garment Manufacturers Association before the institu-

# "Unions Provide Against Unemployment." pp. 7-10.
tion of the guarantee plan, "The average [employment] probably did not exceed thirty-six weeks annually." It is not surprising therefore that one of the most constructive plans to meet the unemployment problem has originated in the garment industry.

"As an outgrowth of experience with boards of arbitration during the war, a board of referees and an impartial chairman had been established permanently for the Cleveland garment market in 1919, by agreement between the Joint Board of the Cleveland Ladies Garment Workers Local, the Cleveland Garment Manufacturers Association and some of the independent manufacturers. The agreement provided for determination of work standards by engineers under joint supervision of the union and the manufacturers, and the question of a guarantee of employment came up in connection with new wage rates. The final agreement provided for determination of work standards by time study under joint supervision, and a guarantee of employment for a certain number of weeks during the year. The plan became effective in July, 1921 and has been in operation since with a few technical changes.

"The Cleveland plan was the first joint plan for unemployment compensation in the United States.

"To provide for rush seasons, the manufacturers may hire additional workers up to 20 per cent. of the force in any department, provided that they be employed for only four weeks in each half year.

"The purpose of the plan is to provide an incentive to employers to increase employment time and at the same time protect the workers in case the employer fails to provide the forty week guarantee."
"The method of operation is as follows: When any worker is laid off invol-
untarily, he receives a lay off slip containing the date of lay off and
when possible the date to return to work. When he returns the slip is marked
with the date of return. The worker keeps these slips and as soon as he
accumulates twelve weeks unemployment he may draw half pay from the shop
relief fund. . .

"In spite of the difficulties under which it has operated, the plan has
increased the number of weeks worked per year. This is shown from the re-
cords of the payments from the unemployment funds and amounts saved by the
employers. Records for the Cleveland Garment Manufacturers Association show
that in the first three years of the plan from two to four firms each year
paid out their whole unemployment fund. In 1927 no firm paid out its whole
fund. Records for 1927 show that five firms gave 40 weeks employment and saved
their whole fund; two more provided nearly the full forty weeks and had less
than thirteen per cent to pay; three fell short by a few weeks and paid out
about half of their funds and only one lost nearly all its fund. On the whole
the work season has been considerably lengthened. . .

"The increase in employment has been brought about in different ways. In
a study made by the Bureau of Labor Statistics, it is stated:

"The employers have taken risks in cutting garments ahead of sales; they
have added other lines of work; they have increased their sales forces; they
have taken greater chances in purchasing materials in advance, and have accepted
orders to be made up in otherwise idle time without profit or even at a loss.

"The plan has undoubtedly proved an increase to efficiency. There was an
increase in the work in the shops and an indirect gain through increased labor
stability and increased production, resulting from continuity of employment."

Essentials of the plan:

Each worker is guaranteed 40 weeks employment each year. If the employer fails to provide employment, the worker receives payments for unemployment as follows:

Each employer deposits in the unemployment fund 10% of his total pay roll. If he provides 40 weeks employment the fund deposited by him is returned intact, at the end of the year. If not, the amount needed for payments is taken and the residue return to the employer.

Benefits begin when the employer fails to provide twelve weeks of employment.

Benefits continue as long as necessary until the employers' fund is exhausted. The fund is administered by an impartial chairman of the industry.*

During the years 1922 and 1927 for a period of six years the average amount of the fund paid for unemployment was $12.5/12 of the fund.#

Stabilization of employment is one of the fundamental principles of union management cooperation. Consequently much progress has been made toward stabilization where union management cooperation has been in effect. What the unions are after is, of course, representatives who will not be susceptible to suggestions from the management - representatives who will look after the interests of the workers, first, last and always. They believe that the only way to have such representatives is to have, as spokesman for the workers, men who are in the employ of the workers themselves, and not of the business men with whom they are expected to deal on behalf of the workers. The worker who is paid by management, and looks to the management for the security of his position and possibly promotion, can scarcely fail to be influenced, though perhaps unconsciously, by these items of dependency. The knowledge that he

* "Unions Provide Against Unemployment." p. 9.
# Ibid. p. 11.
may lose his job or possible advancement, if he displeases his employer, is likely, say the union critics of employee representation, to make him timid in proposing measures that may not be popular with the management, and less zealous than he should be in insisting upon the worker's rights in the face of managerial disapproval. The criticism is one that cannot be lightly dismissed.*

Railway repair work is an occupation subject to severe seasonal fluctuations, owing in part to the heavy demands on railway equipment during seasons when crops are moved. It has been possible to compensate these fluctuations to a large extent, and greatly to increase the number of days worked per year. On the Baltimore and Ohio Railroad, during the year 1925 compared with 1924, there was an average increase of employment amounting to two weeks more work for every man in the shops. This added an average of $44 per man to the yearly income of the shop men. This benefit was made possible chiefly by doing $7,000,000 worth of work in the B. & O. shops which formerly would have been let to outside firms.#

In the Canadian National shops in the four years ending November 30, 1927 earning opportunity has been increased 14% per cent. through stabilization and employees now earn an average of $150 more a year per man.#

The program of stabilization has been put into effect gradually. In general under union management cooperation, problems of employment are discussed by a joint committee of union and management representatives. A program adaptable to local needs and conditions is then worked out. The following are typical of steps which have been proposed and acted upon in stabilizing employment:**

1. Planning of production and budgeting finances so that certain types

# Ibid. p. 5.
** Ibid. p. 6.
of work not requiring immediate attention may be reserved for dull periods. A program of rebuilding locomotives and cars, for instance, provided work for a number of men in a season when other work was not available. Financial needs for such work have been met in part in many cases by setting aside a reserve fund for the purpose. Forecasting of revenues and budgeting of expenses are important in such a system of production control.

2. Avoiding contracting out of work. The policy of doing railroad work in railroad shops has brought back to home shops a large amount of work which formerly has been let to outside contractors. This additional work provided employment for the shop forces, and expenses were also cut down, since home work is less costly.

3. Establishment of a normal or standard work force. The policy is adopted of keeping a normal number of men employed throughout the year; avoiding the hiring of new men for rush seasons and consequent layoffs in dull seasons; limitation of apprentices to a number sufficient to fill vacancies when they become available.

4. Flexible work week, adjustable between forty and forty-four hours per week. Since it has not been possible to provide full-time employment the year around for every man in the work force, it may be advisable to provide a narrow flexibility in work hours, say, not to exceed ten per cent. This arrangement should be under strict joint supervision.

5. Central placement service to act as clearing house for furloughed employees. On several railroads it has been arranged that furloughed employees are notified of vacancies which occur elsewhere on the system, so that they may bid for these positions before new men are hired. This has served to provide positions for many men.
6. Conferences between representatives of the unions and management before decisions are made concerning employment. It is only right that those who are to be affected by employment policies should be consulted when these policies are formed, and union representatives have been influential in determining the best means to meet an emergency.

From the foregoing it may be observed that the American Federation of Labor and the unions which comprise it are anxious to have employment stabilized and are working toward that end.
THE PLACE OF THE GOVERNMENT IN THE STABILIZATION OF THE INDUSTRIAL WORKING WEEK.

Many of our industrial leaders seemed convinced that some means of centralized guidance or control is necessary if our industrial system is to escape recurrent depressions. Congress is slow to formulate worthy economic policies because its duties are largely political and not economic. However, under unusual circumstances, such as existed at the time of the World War, Congress did provide for control, through the War Industries Board. An unusual situation exists at the present time and action on the part of Congress is sorely needed.

There has been rather serious question as to whether the capitalistic system is able to cope with the present situation in this country. Some have gone so far as to say that the present system is doomed and is no longer justified in this nation. Those who take this attitude maintain that the only system able to cope with the present conditions is a socialistic one. The capitalistic system has not yet proven itself to be a failure. I should say that the path of progress is in an evolution of the present system. In my opinion the danger of a revolution in this country is not very great, for the American people are imbued with common sense and ability and do not fear the future with any great alarm.

To lead the country out of the difficulties in which it finds itself, a three-fold leadership is somewhat desirable. We need the leadership of a Wilson with a gift of clear enunciation of the forces to be fought and the goals to be attained, the leadership of a Mussolini with a gift for decisive action and the leadership of a Ghandi with a gift of moving vast masses of men by the compelling power of his sincerity.
It is quite imperative that the government step into the situation and insert more control. We are making progress toward governmental control. We stumbled over cut-throat competition and graft in railroads, and created the Interstate Commerce Commission. We fell over money panics and built the Federal Reserve System. We ran into monopolistic dominance and experimented with the Federal Trade Commission. Agricultural depressions brought about the Federal Farm Board. We also have the Federal Radio Commission, the Public Utility Commission, the Federal Power Board and the Federal Shipping Board. We are now ready for something more and that "something" is toward the regulation of industry, which will bring about the stabilization of the industrial working week.

A good system of social control should be democratic, should need to know what we are going to control, should have power to enforce it, should have efficient legislative control, should have a minimum of coercion, should be flexible, should look beyond the immediate future and should improve the standard of living. Perhaps no plan or system can be all-inclusive of the above.

Various plans for the government control of industry have been proposed. Stuart Chase has suggested that a Board patterned after the War Industries Board be inaugurated, to be composed of seven members with many minor divisions so that all essential parts are adequately taken care of. Business surrendered to the War Industries Board primarily on the plea and psychology of patriotism. Today no flags are flying but the millions of workers who are unemployed form a menace greater than the Germans at the time of the War. This Board, the Peace Industries Board, would be challenged with the opportunity to abolish the human misery which flows from economic maladjustment. The prime essentials should be the first things to be controlled followed by reasonable comforts and then luxuries left for later consideration, if any. A formidable problem would be the extent to which distribu-
tion should be comprehended. The wastes and leakages of the distribution system are huge. While the man-power of the production unit goes steadily downward the man-power per unit of output of factory goes steadily upward. Obviously here is a place for planning and control.

Stuart Chase, along with others, suggests "long ranged planning" on the part of the Government, based somewhat on the Russian Five-Year Plan as an aid in smoothing out some of the difficulties of the present situation.

Gerard Swope has suggested a plan, which requires all industrial plants with over fifty employees to enter a trade association which would be under governmental supervision. This supervision would protect the companies and the public from wrongful practices. Trade associations have been a valuable aid to industry and this plan has some merit.

Many countries have National Economic Councils. Among them are France, Germany, Italy, Poland, Spain and Great Britain. Experimental, often cumbersome, usually ineffective, as these councils are at present, they may ultimately prove an adjunct of great value to the machinery of government. These councils differ greatly in form; they work with varying degrees of success; they are still in the experimental stage and the best methods and composition, which will not be the same for all countries, have as yet to be discovered.*

It has become plainer to those who have watched the operation of the economic councils of Germany and other countries that bodies which are based on the balancing of forces between the representatives of employers and workers are incapable of any real vital constructive achievement.

Another plan is that suggested by Prof. Warne, of Amherst College. A thorough-going system of social planning, declares Professor Colston Warne, of Amherst, would require several apparently simple, but really complex steps, each taken after months, perhaps years, of preliminary effort. They would include:

1. The setting up of a statistical bureau to secure the basic data regarding the resources, the human abilities and the capital of the country.

2. The determination of the basic requirements of food, clothing, shelter, recreation, medicine, etc. for a comfortable standard of living for the entire people.

3. The setting up of proper control agencies to see that each industry produced its allotted budget toward such requirements.

4. The elimination of inefficient and unscientific methods of production and distribution.

5. The shortening of hours together with the shifting of labor to industries formerly regarded as luxury industries for the few, but now industries to provide additional comforts for the many, and finally.

6. The allocation of capital to new industries and for the extension of the older ones in accordance with the increased social needs of the community.*

Such steps, Professor Warne admits, could only be carried out under some form of social ownership. An increasing number of social thinkers are maintaining that Professor Warne is right and that no effective social planning is possible without the shift of industry from individual to production for service.

Tariffs undoubtedly have their effect on the economic situation of all

countries. They often result in higher prices, thus reducing the purchasing power of the masses. Tariffs properly arranged may be a factor in the stabilization of industry.

Perhaps the most effective way that the government could act for the immediate profit towards stabilization would be in the passage of the "Black Bill" now pending in the Senate of the United States. This act provides for labor, a six-hour, five-day week. One of the plans for the enforcing of this proposed act is to prevent the transportation of goods, from one state to another, made in a plant where the six-hour, five-day week is not used. A question as to constitutionality arises in connection with this bill, in that it may interfere with the freedom of contracts. This bill should provide for some lee-way because serious penalty might be inflicted upon certain industries which are unquestionably seasonal, or for certain other reasons.

If the time of work of one individual is limited by law and the average of the industrial working week is longer than thirty hours per week, it provides for the employment of additional labor or what is more important in this discussion, it means more work for the now employed, which can not be done beyond a certain fixed legal rate and therefore will tend to spread the work over a longer period and thus stabilize it.

Whether or not thirty hours is the proper limit to the time, is open for criticism, but regardless of whether it is or not, it is a step in the right direction.

The government has a definite place in the providing of plans for stabilization, for it is the only authority big enough to command due respect. It may be that the right plan has not as yet been brought to light, but regardless of the plan which may be adopted, in this crisis, suitable pro-
visions should be made in it which would lead to the stabilization of industry. Our country has long respected the rights of individuals, and no plan which seriously threatens this position should be adopted.

(H)

STABILIZATION AS IT APPLIES TO THE PRESENT WORLD-WIDE CONDITIONS

The depression, through which we are passing, is not confined to the United States or to any one country, but it is world-wide in its scope. Hardly one of the features of this crisis can be described in purely national terms; the universal fall in prices, the trouble over the maintaining of the gold standard, the fall in the value of silver, the problem of reparations and war debts, the rise of tariffs and import restrictions, etc. There is a very natural human disposition when a man feels pain anywhere, to hope that there is some single specific cause and some specific remedy, but I am afraid that the malady from which the world is suffering is not of a simple character; and no single specific panacea will be sufficient. In any such maelstrom of mental and emotional confusion it is doubtful whether any man or group of men is wise enough to produce a plan which will solve the world's political, economic and social ills. At best it will be a slow and tedious process, which will grope its way haltingly toward its ultimate objective. Men are more ready than ever to consider those economic doctrines and policies which were thought to be unquestionable. The United States must take an ever-increasing part in world affairs, for she has become the first economic power in the world, and she has unbreakable international ties.

There is no effective way of handling international affairs on a large scale. The League of Nations has not been the weapon in the handling of world affairs that was hoped for it. It has failed to bring about any ef-
fective unification across national frontiers. The failure of President Wilson to convert the United States to participation in it wrecked its chances of transcending European quarrels. The League is still a feeble affair, and the strengthening of it is made more difficult because it is largely committed to the defence of the Peace Settlement of 1919 with all of its unsatisfactory and trouble-making dispositions. France and Germany have remained political and economic rivals each playing for position and influence in continental affairs. Meanwhile Great Britain hovers uneasily between participation in the problems of Europe and the attempt to build up her world-wide Empire into a consolidated economic unit. If the world really recognized the brotherhood of man, or if the League of Nations were a really international force, all of the countries would be working together to promote the economic development of the world as a whole. Selfish nationalism stands in the way.

Attempts have been made by the nations of the world to get together on various projects. The World Economic Conference held at Geneva in 1927 was one such attempt and this conference urged the necessity of uniform customs classifications throughout the world and also general tariff reductions.

The Tariff Truce Conference of London 1929–20 was another attempt to get together in the solution of economic problems. At this conference the so-called most-favored-nation clause was introduced which enabled different countries to make certain beneficial agreements among themselves.

A keystone of an ordered economic system is a money which fulfills its functions. A concerted world monetary policy, with some sort of an International Bank as an instrument to help in applying it, would be of inestimable value to world trade. But it will be both impracticable and useless unless other policies, in particular commercial policies, are directed to the same end. The whole question of gold and gold prices is one of momentous impor-
Europe obviously wants to get out of the payment of debts to the United States; for it can see no possible means by which they can in effect be paid. Europe wants the American tariff lowered, for European manufacturers badly need an expanding market for their goods. But assuredly, America should not forego debts nor lower tariffs simply to suit Europe's convenience. Having foregone reparations from Germany, the European states will be in a better position than they now are to approach the United States and ask for cancellation of War Debts. They are likely to find the United States in an unreceptive mood unless they are prepared to offer something in return. Had the countries to whom, in the last resort, reparations are paid been prepared to take what is due them in the form of additional imports and to adjust their policies toward that end, reparations and war debts could have been paid, on a reasonable scale, without disastrous dislocations. Unhappily this has not been done.

A suggestion has been made that a world price stabilization would be an aid in the present international confusion. This would involve a need for a common currency and all the countries would have to give up their power of regulating monetary conditions, which seems to be an impossibility at the present time. A world price level would be an exceedingly difficult thing to secure since different commodities have different values in different countries.

There is little question that radical revision downward of our present tariff schedules would be of material aid in the recovery of world trade. American markets would be opened to foreign goods. The sellers would create credits with which to furnish the necessary capital to their home industries, enabling them to pay reasonable wages and make payments for past loans, as well as future purchases of goods and services, partly and probably chiefly
from the United States. The credit tenseness would be lessened. America would participate greatly in the revival of purchasing power and good-will in its foreign markets.

The result, however, would hardly be an unmixed blessing. For some American industries and some American labor the influx of foreign goods would bring increased competition, lower prices and unemployment. This series is the inevitable consequence of selling goods and lending money to debtors who can pay only with goods. So long as America will seek foreign markets for the goods or repayment of principal and interest on her foreign loans, the same problem of accepting foreign goods and competition will be automatically created.

In the light of the present world conditions the stabilization of the industrial working week appears to have received a serious blow. The curtailment of world trade, largely due to high tariffs, has greatly restricted the markets for manufactured goods. With the restriction of markets production has had to be curtailed which has resulted in less work and unemployment. The stabilization of the industrial working week is dependant, to a large degree on markets for the goods manufactured. Causes, other than tariffs, have likewise led to curtailment of production. Domestic markets have been affected as well as foreign markets because a country can not live of itself alone and conditions which affect the world adversely likewise affect the various units of the world. But the situation is not hopeless, for, with the aid of the government and of industry itself, steps may be taken which will alleviate some of the conditions and will lead in the general direction of stabilization.
A SUMMARY OF THE GENERAL MEANS FOR THE STABILIZATION
OF THE INDUSTRIAL WORKING WEEK.

There have been many suggestions made of means to stabilize, either
directly or indirectly, the industrial working week. Not all of these can
be put into force at one time. The industries themselves or the govern-
ment are the only ones capable of putting these plans into effective use.

(A) ON THE PART OF INDUSTRY

If we reduce our industrial system to its most elemental terms we see
that it is a process of exchange. During the past few years there has been
an extensive misdirection in the production of goods. The production and
consumption of goods have been out of balance. In the United States it is
impossible to command just what goods and how many any individual must con-
sume. The consumption of goods must then be determined in another way. As
a balance between production and consumption is maintained the industrial
working week should be more and more stabilized. There are many means adapt-
able to the individual industries which may be put into force without any
outside help. The stabilization of the industrial working week is dependant
upon continued production and anything that will aid toward that end is wor-
thy of consideration.

Among the means which would help to bring about the stabilization of
production and therefore industry are: the elimination of seasonal fluctua-
tions, as far as possible, by distributing the work throughout the year, the
standardization of product, that is the elimination of many sizes, colors,
shapes, etc., the introduction of sidelines where practical, the elimination
of wastes of time, labor and the lack of efficiency, the careful purchasing
of goods, the taking cognizance of the business cycle and how it may affect
a given industry, the use of available material on the interpretation and forecasting of business conditions and the cycle, the closer coordination between the different departments and between different industries in the same class, the coordination of the production and distribution fields, so that production will not run too far ahead of consumption, the effective use of advertising to aid consumption, the regulation of time by the elimination of overtime work, the training of men to do more than one task, and possibly many others.

(b) ON THE PART OF THE GOVERNMENT.

The government should assume the direct initiative of means to stabilize the industrial working week because it alone "sits in the driver's seat." Industry as a whole lacks a guiding leadership and many of the most effective means for the stabilization of the industrial working week demand that all industry participate, otherwise the stabilization would not be effective in the way that it should. This leadership should be, yes, must be, assumed by government or else the effective stabilization of the industrial working week will be a long way off.

Means by which the government may aid are: the limiting of the hours of labor in the working week of industry, the reinauguration of employment exchanges, the modification of the anti-trust laws, the relief in case of unemployment, the elimination of child labor and some married women from industry, the reviewing of the debt question with the idea of cancelling or reducing them, as an aid to world conditions which seriously involve our participation in world trade, the entering into of international agreements as a further aid to our world trade, the possible price stabilization, the acceptance of one or more of the many plans submitted for governmental
participation in the problem, the continued rigid immigration laws, the provision for the return of many foreigners not entitled to citizenship, the improvement of living conditions, the aiding of weakened industries by reduction of taxes, and possibly many others.

The carrying out of the governmental participation should not be in the hands of Congress but in a board or commission which should have much freedom in their economic planning.
II

THE STABILIZATION OF THE INDUSTRIAL WORKING WEEK WOULD BE A BENEFICIAL
AND PRACTICABLE METHOD OF DEALING WITH EMPLOYMENT.

Various plans have been proposed for the solution of the problem of
unemployment. Some of these have drawbacks. Unemployment insurance, whether
inaugurated by the Federal government, the State governments, or by the
individual business concern, is largely a relief measure. The practical
plan should tend to eliminate the problem at its source, rather than wait
until it arrives, and then aid it. Our Socialist friends tell us that
the only way to solve the problem of unemployment is by the creation of
a "Socialistic State." Our country in the past has not been eager to follow
the footsteps of the socialistic groups, as is partially evidenced by the presiden-
tial elections of the past twenty years. Nevertheless, our industries
are better off because of the "social controls." The plan of the stabiliza-
tion of the industrial working week is a practical one, for it has been tried
by industry and has been found to work, more or less satisfactorily. It is
practical and from the experience of those firms which have tried it, it
would be highly beneficial to industry in general.

Some of the plans propounded are similar to the story told about a
conference of mice on plans for foiling their enemy, the cat. A young
mouse spoke up:

"We will hang a bell on the cat's neck. Then, when she is near, the
bell will warn us."

The idea was applauded warmly until a wise mouse asked:

"Who will tie the bell on the cat's neck?"
(A)  
IT WILL PREVENT UNEMPLOYMENT TO AN APPRECIABLE DEGREE.

The stabilization of the industrial working week would prevent unemployment to an appreciable degree, because stabilization involves an active control of production based upon consumption. If the amount of the production is known, and known in advance, a business man would be able to gauge his work and the work of his employees so that it would be easily known how many men would be required to do the work in the given length of time. It would be unnecessary to change the number of employees in a plant unless emergencies arose, and those who were employed would be steadily employed. Unemployment would be unknown in that particular plant. If the situation were multiplied by many plants and industries, general unemployment would be prevented to an appreciable degree.

(1) EMPLOYERS WILL BE ABLE TO PREVENT UNEMPLOYMENT IN THEIR OWN ESTABLISHMENTS OR GREATLY REDUCE THOSE THAT CAN NOT BE ENTIRELY AVOIDED.

The stabilization of the industrial working week should be a problem of the individual industrial plant. It is achieved by many means adaptable to individual industries, as has been noted in a previous part of this paper. Employers have little choice as to what plans shall be tried in other industries, and the problem of unemployment, as far as they are greatly concerned, is that with which they come in immediate contact. Stabilization plans properly worked out upon a scientific basis will certainly curtail unemployment to an appreciable degree.
The business cycle may be foretold to an every increasing degree of accuracy, by those who are trained to read and use properly the various indices, etc. With this information, available to any business man, proper measures may be made to safeguard the stability of the individual concern.

The setting up of reserves for contingencies is a well established accounting procedure. At times of depression, demands are made upon a business which are not made at other times. To meet these demands it is not beyond business to plan so that business may go along with less "dips," so that the effect of the depressions may be minimized.

Seasonal fluctuations are readily discernible by those who keep adequate records. Where style plays an important factor in seasonality it may be difficult always to plan properly for the future, yet much has been done along this line. Yes, the stabilization of the industrial working week, with all that it implies would enable a business concern to go through seasonal fluctuations and cyclical depressions with less curtailment.
(B)

IT WOULD BE BENEFICIAL TO BUSINESS.

(1) IT WOULD REGULARIZE GENERAL BUSINESS CONDITIONS

Modern business is very closely inter-related and when the industrial working week is successfully stabilized in one establishment it tends to stabilize others as well. It would have a cumulative affect on general business conditions, with the result that general business conditions should retain a regular procedure without sharp drops or rises.

(a) IT WOULD FREE PURCHASING POWER.

When a worker feels insecure in his employment his attitude toward spending money is likely to be one of great caution for he does not know how long his job will last and how soon it will be necessary for him to use what savings he has been able to accumulate. With a secure job the worker will spend. A worker with steady employment usually has little trouble in obtaining credit. He would plan over a yearly period rather than a daily or weekly period. It has been estimated that about 87% of the purchases of the daily commodities of life are made by working men and their families.

With this freeing of purchasing power, expenditures would be uniform over a period of time, which would maintain a steady production and not only be beneficial to one industry but would permeate throughout the business life of the community and country.
He who invests money in a business is much interested in the
returns which he will receive. The stabilization of the industrial working
week will tend to bring about an even flow of business and therefore re-
turns and profits. Where the work in a plant is, more or less, there is
bound to be losses, because of the constant overhead and other causes. These
losses, being partly or entirely eliminated, would make the profits larger, and
the return on investment greater.

(a) IT WOULD INCREASE DEMAND FOR GOODS.

The demand for goods would tend to increase, for unemployment with
its decrease of income, does not permit the workers to spend with the
frequency that they formerly did. With the security which accompanies the
stabilization of the working week, the worker’s purchases of commodities
will increase, for his standard of living will tend to rise as he is insured
of continuous employment. As the demand for goods will be increased on the
part of the workers, it will result in greater production on the part of
business and therefore, increase its returns.

(3) IT WOULD INCREASE THE EFFICIENCY OF MEN.

In work which requires a high degree of skill, constant application to
the work must be maintained in order to keep at a high rate of efficiency.
With unstable employment we find together with the loss of skill, that produc-
tion is most likely to be sub-normal. After a worker has been employed for a
period of time efficiency is at a high point and production is at a maxi-
mum. When the slack season approaches, efficiency is lost because of fear of unemployment, by social pressure, etc. Not only does unemployment affect the individual worker but also the whole group in the plant.

(a) MORALE AND CONFIDENCE WOULD BE MAINTAINED.

A man who feels insecure in his work is likely to find his spirit broken. As a dog, whose spirit is broken, has greatly lost his value, so likewise a man, whose spirit is affected, will become less valuable to himself, to his employer, and to his community. A workman who is secure in his employment does not have the fears and worries that an unemployed man has and his confidence and morale are not so easily shaken. Thus he becomes a better workman and he becomes of more benefit to business.

(4) IT WOULD ELIMINATE THE WASTE OF BREAKING IN NEW MEN.

Any plan, in business, which would keep down expenses is worth an investigation. Every time a new man is employed in a business it takes considerable time and money to fit him into the organization. Especially true, is it, if the work requires a high degree of skill or special knowledge. With the stabilization of the industrial working week, employment would be continuous and the need of breaking in new men would be gone, except on rare occasions, and so a saving would be made.
IT WOULD BE BENEFICIAL SOCIALLY.

(1) IT WOULD MINIMIZE THE BURDEN CARRIED BY WELFARE AGENCIES.

If the industrial working week were stabilized, men would be permanently employed and we would not have the drain on welfare agencies which we now have. Many cities and towns in the country have various kinds of welfare agencies. Some of these are carried on by the cities and towns while others are supported from private sources. During the past few years excessive drains have been placed upon these agencies, extra costs have been levied, but if we had stabilization commonly practiced, this drain on the employed, to aid the unemployed or the drain on the tax appropriations, would be eliminated.

(2) IT WOULD LESSEN INDUSTRIAL UNREST.

A worker who is steadily employed is a happy worker. A happy worker is not one who is anxious to cause trouble with his lot.

Henry S. Dennison, the president of the Dennison Manufacturing Company, is quoted as saying that worker's fears are not to be easily conquered. They are nourished by a man's own experience and those he hears about. One of our new employees, for example, let drop a suggestion a few years ago, in the stress of controversy, that he thought a certain method could be improved. Our factory manager asked him if he had made the suggestion to his foreman. "Nothing doing," he said, "It's only three months ago that I was fired from the "X" mill for just that, and I am not risking it again so soon." They are well-grounded fears not to be uprooted without deep plowing.*

Industrial unrest is caused, in part, by grievances, real or imagined. A worker, whose work is stabilized, is not likely to have grievances of a serious nature. If the individual worker is satisfied with his conditions there is little cause for organizations of workers, whether unionized or not, to cause trouble or unrest.

(D)

IT WOULD BE PRACTICABLE.

(1) RESEARCH, WIDESPREAD EDUCATION AND COOPERATIVE EFFORT WOULD TEND TO MAKE IT MORE EFFECTIVE.

From the evidence of those companies that have tried various methods of stabilizing the industrial working week, it proves that it is advisable in industry as a whole. Not all methods work equally well, neither is it safe to say which method is the most applicable to any given industry. Enough data is being kept so that more scientific approaches may be safely made in the future.

The average business executive is rather slow in trying new methods but with the information now available and the opportunity for associations of various kinds to further the industry in which he may be in, or by legal compulsion, the working week could be stabilized to a substantial degree.

A helpful activity of the government would be to keep the subject of stabilization before the public. The inertia which keeps industrial firms and labor leaders thinking along the old grooves must be undermined by studies which bring forcefully to public attention the possibilities of regularization.
Trade associations have been active in the "helps" which they have been able to give to the participants of the associations. It is possible, by the uniting of different groups, to make stabilization methods more effective. Associations of various kinds are always seeking the best way to do things and if stabilization were required of industry, the associations could be made to be of great aid in its success.

The fortunate aspect of stabilization, unlike medical treatment, is that industrial good health is contagious. So great is the interdependence of business enterprises that every little improvement in regularity of operation made in one concern or locality sends out ripples that help to steady the rest of industry. When enough effort has been exerted in every quarter, the cumulative effect will be substantial, and security of employment will become a more normal characteristic of industrial life. In the meanwhile, every attempt at regularization supplies evidence and practice toward a progressively more stable industrial life. Every success achieved or improvement made gains momentum for the creative point of view upon which a solution of the problem depends.

(2) WORKINGMEN'S COMPENSATION WAS MADE EFFECTIVE THROUGH PENALIZING NEGLIGENT EMPLOYERS.

In 1911, the industrial States, including Massachusetts, began to pass workmen's compensation laws requiring employers to provide for the payment of half to two thirds of normal wages for a specified number of weeks as accident benefits to injured employees. These laws compelled employers to take out compensation insurance policies as a guaranty that their employees would receive benefits if injured in connection with their work.
The insurance requirements called for higher insurance premiums from companies with high accident frequency than from companies in which fewer accidents occurred. It thus cost money to have accidents and money could be saved by avoiding them. Not long afterward the safety first movement was sweeping the country. *

When employers found that they could save money by preventing accidents, they prevented them. There is reason to believe that any plan whereby the employer paid for preventable lay-offs, would incite him to do his utmost to reduce the number of lay-offs and so reduce the number of unemployed, just as compulsory compensation insurance under workmen's compensation acts led him to reduce the number of industrial accidents.

As the workingmen's compensation was made more effective through the aid of the government certainly a penalty of some sort could be placed upon those delinquent or unwilling employers who did not see fit to aid, in the welfare of the country, by following stabilization methods in an effective way.

THE NEGLECT TO ORGANIZE INDUSTRY FOR STABILIZATION CAN NOT
ENTIRELY BE MADE UP FOR BY THE GOVERNMENT OR THE COMMUNITY.

As I see it, the main responsibility for the stabilizing of the industrial working week should come from industry itself. Governments have from time to time attempted to enter the industrial activities of the various countries, but the results have not always been satisfactory. Final judgment of the Russian experiment will have to wait, as the information available from Russia is not truly reliable and conflicting reports are the result.

In New Zealand, control of private industry, in order to hold within proper bounds with respect to price, has been attempted by government competition with private industry, especially in mining. In New Zealand also, the government has owned and operated the railroads and has been very active in business of all kinds. It was thought that at one time that New Zealand was almost an earthly paradise. ... Alas, soon afterwards there were the most violent strikes in New Zealand, in spite of the efforts of the government to regulate the relations between employer and employee. Now New Zealand is in deep distress and can hardly be held up as a model.*

(1) NO METHOD OF PROVIDING MAINTENANCE WITHOUT WORK
IS SATISFACTORY.

The supporting of men, who are out of work, by industry or by a tax would be inadvisable.

Our dole system - a levy on the still employed to support the unemployed - has its disadvantages also. It has been said that the money being spent for relief of the unemployed amounts to $100,000,000. a year,

most of which comes out of municipal and county taxes rather than the Federal Treasury.*

Our methods of haphazard private charity cost additional millions and is uncertain to the recipient, while the dole has the one advantage of being certain so the recipient can go ahead and buy the necessities of life, a policy which keeps the money in circulation.

(a) UNEMPLOYMENT INSURANCE IS NOT SATISFACTORY.

A favorite answer to the problem of unemployment appears to be unemployment insurance. It is not the purpose of this paper to go into the details of the unemployment insurance schemes. It is safe to say that the various unemployment schemes do not provide adequate relief, but a small sum, which hardly appears able to supply the bare necessities for a working man and his family.

It is true that some unemployment insurance schemes do tend to stabilize the working week. The stabilization effect of the unemployment insurance funds on the "cap industry" has been very important. In slack seasons it is easy for an individual to set up a small "back-store shop," work eighteen hours a day under sweat-shop conditions and sell his product at very low prices, thus undermining the standards set by responsible employers. Unemployment insurance gives members resistance against this abuse. It is a stabilizing influence, rather than a welfare measure that the plan has the greatest value for the organization. It has been of inestimable benefit to the stabilization of the industry.#

The Massachusetts Emergency Commission on Unemployment has made a careful study of various aspects of unemployment. As a result of their activities, the Commission proposes an act to provide for the setting

# "Union Provide Against Unemployment." pp. 17, 8.
up of Compulsory Unemployment Reserves. The report states that:

"We recommend the establishment of compulsory unemployment reserves to which employers of ten or more persons, except in agriculture and certain employments, shall be required to contribute 2% of the pay roll of all employees except those who received more than $1,500 during twelve months period of unemployment. The employer's payment is to be made monthly or oftener to an unemployment reserve fund deposited with the Treasurer of the Commonwealth for account of the employer and his employees, each employer's deposits to be kept in a separate account.

The employer may substitute his own voluntary plan, providing the benefits offered are at least equivalent to those required by the bill, subject to approval of the Department of Labor and Industries."*

Under the proposed plan, benefits from each employer's account are to be paid eligible employees laid off more than four weeks or dismissed for no fault of the employee, providing the employee is unable to find suitable employment by the end of four weeks. The amount of the benefits is to be one half the normal wage or salary of the employee, but not to exceed $10 a week. Benefits are to be paid for not more than ten weeks in any twelve months. ...

When the employer's unemployment reserve account amounts to $50 per covered employee, he is required to contribute 1% of his pay roll, as long as the account remains at or above this level. When the account reaches $75 per employee, no further contributions are to be required so long as his account does not fall below that level.#

As is seen, the amount received by any one worker over a period of sustained unemployment would not be very large. The large cost of un-

# Ibid. p. 24.
employment is therefore to be taken care of by the disposed worker. The "apparent" heavy cost of this scheme on the part of the employer is in fact a small one when compared to the load which the unemployed worker must provide for in cases of prolonged unemployment.

An equally important factor may be the probable effect upon the employer to reduce as much as possible the number of lay-offs and dismissals in order to keep his unemployment reserve at the $50 or the $75 level and thus reduce the amount which he would be required to pay into the fund. It is possible, by careful management, to reduce labor turnover materially.

Unemployment reserve funds may be set up in one of three ways, - with payments by the employees, with payments by the employers or with both making contributions.

Much has been said as to the best method to follow but as yet there is no unanimity of opinion. The Massachusetts Emergency Commission report holds that:

"The pros and cons of these three may be argued from an ethical basis or a practical. On the former, - that is, on grounds of fairness there could probably be little question that any plan of unemployment reserves which undertook complete relief of employees should be contributory. But the bill here presented goes a very short distance toward complete relief, so that arguments which refer consciously or unconsciously to schemes which would pay benefits sufficient for full support, do not concern us there."

Unemployment reserves are not a new venture in the United States. In 1929, for example, there were thousands of workers in manufacturing plants

in the United States whose jobs and incomes were more secure against threats of unemployment than those of their fellows. They were employed by companies which stood ready to pay them at least a part of their wages for a minimum of several weeks, or a lump sum in lieu of wages, if they were laid off through no fault of their own.

The setting up of reserves for future contingencies is a long-established practice in American business. Many businesses today set aside money regularly to pay taxes, and also maintain a depreciation reserve; that is, it saves a part of its earnings upon which it can draw to replace buildings, machinery and other equipment. Some businesses set aside dividend reserves, saving part of the earnings of good years so as to continue dividends when earnings are small. The object is to stabilize business dividend payments.

A question which may very well be asked is whether unemployment reserve plans will aid unemployment or will aid in the solution of the problem in any material way. The Massachusetts Commission feels that:

"Unemployment Reserves prevent unemployment in both good and bad years. Unemployment in ordinary years is caused by seasonal variations in business and by a long list of economic changes, including changes in industry, not merely the invention of new machinery, but other changes in technique as well as changes in product, in management, in location, in labor supply. As much as 6% to 10% of the normal working force of the nation is out of work on any ordinary working day in a normally good year.*

It is not easy to reduce the amount of unemployment at all times by these causes. But employers can do a good deal to regularize employment through the seasons and to cushion the effects of change as they occur. A few have proved this by doing it. Unemployment reserves provide a direct incentive to the employer to keep his employees at work as steadily and for as long periods as possible, to select new employees more carefully, so that they will be worth keeping as long as possible, and to avoid unnecessary temporary lay-off, as well as permanent dismissal, by every means possible. This is perhaps the most valuable feature of this type of unemployment effort.

The employer who pays a percentage of his pay roll into an unemployment reserve under such a plan as provided by this Commission is in the position of the boy trying to fill a leaky pail with water. The more he can diminish the size of the leak, the sooner he can fill the pail.

The Massachusetts proposal does not provide for an adequate solution to the prolonged unemployment problem. Failure to provide for protracted unemployment is an admitted weakness of this proposal, but it shares this weakness with every other type of self-supporting unemployment relief measures. Even the supposedly liberal European plans provide insurance benefits for only a limited period, long protracted unemployment being relieved from other funds.

To show what the effect of such a plan as suggested would be, the report of the Commission gives the following:

If all manufacturers in Massachusetts had been required in the five or six years prior to 1930 to build up unemployment reserves, and if all had been successful in building their reserves up to the maximum of $75 per employee there would have been available in this State, when the
depression began, about $42,000,000 from which to pay benefits to workers laid off. If the reserves had reached an average of only $50 per employee the amount would have been $28,000,000.

To accumulate the $42,000,000 or the $28,000,000 in manufacture over a period of five or six years would have cost no more than an average of eleven-hundredths of a cent to seven-tenths of a cent per dollar of factory sales price, depending upon the industry.*

Such a fund, as proposed, may be invested in many ways, none of which appear to be satisfactory, as is evidenced from a further study of the plan.

"When money is paid into a reserve fund, the fund itself is spent in some fashion. The reserve funds are set up by business houses, whether for unemployment reserves or for any other purposes, are not allowed to lie idle. There is in fact no way to keep them idle unless they are kept locked up in the company's safe or buried in the ground. They are put to work. They may be deposited in the bank and left there to be drawn upon as needed. They may be invested in comparatively safe and easily marketable securities. They may be put into short term investments, such as good commercial paper, acceptances and call loans. They may be "left in the business" to be used by the employer as he used other available funds. In any case, the funds are put to some use in which they represent an addition to the supply of investable capital, and the accumulation of investable funds of this nature during the upswing of the business cycle produces an effect upon the cycle which may work against stabilization.

* "Report of the Activities of the Massachusetts Emergency Commission on Unemployment." p. 127
"If the reserve funds are deposited in the bank they are used by the bank as the basis for loans, principally to other business men for a variety of business purposes, or to home builders to further the erection of dwelling houses. In any case, they are not locked up out of use, but appear on the market in the form of a purchasing power in the hands of those who have borrowed them. They thus increase the demand for whatever sorts of goods these persons buy.

"Moreover, each dollar in the bank increases the potential demand for these goods by about ten times its own face value, because, in ordinary times banks lend about ten times as much in the form of credit as they have actual cash on hand. The increase in purchasing power resulting from the deposit of reserve funds in banks is thus considerably greater than the amount deposited. ... It becomes apparent, therefore, that the building up of a reserve fund does not decrease the amount of purchasing power appearing on the market during the upswing in business. It does transfer it in part from consumer goods to capital goods, - raw materials, machinery, new buildings, etc. The demand for consumer goods is decreased more than proportionately.

"This is the wrong thing to encourage, inasmuch as the overproduction of capital goods needs to be prevented in order to minimize the extent of booms.

"If the reserve funds are invested in securities - government bonds and gilt-edged securities of business corporations - they are put to work. Companies that keep fairly liquid funds in this form buy seasonal securities in the market just as other investors do. This means that payments made by the employing company into its reserve fund are, in effect, paid to investors for the purchase of securities they are willing to sell instead of to the company's own stockholders in the form of dividends.
"The result is the transfer of purchasing power from one group to another. Investors have the money to spend instead of stockholders. If there is any differences to which the money is put as a result of this transfer, it is that the sellers of the bonds and stocks may reinvest a little more of the money in other securities than the company's own stockholders would have done. ... This difference, if it exists, would operate in the wrong direction from the point of view of industrial stabilization.

"If the reserve funds are to be kept in the business they are likely to become in fact merely a bookkeeping item. In such a case, the accounting department will enter among the company's liabilities an item, "Unemployment Reserve," and the amount included in it will appear under this head instead of in "Surplus or Undivided Profits."

"No separate fund will be kept, and benefits will in fact be paid out of current income.

"This arrangement is not in reality the type of unemployment reserve plan contemplated in our recommendations. We wish to stress the importance of accumulating a reserve fund, both to safeguard the payment of benefits and to make the incentive to regularize employment as strong as possible. We believe, further, that the employer's reserve fund, while kept as a separate account for the benefits of his employees, should not be invested by him because of the financial problems just discussed, which can be solved more readily by centralized control. Neither should the disposition of it be subject to his control."

If not properly financed, payments of benefits during depression might make depression worse.

"The unfavorable effect of reserve funds upon cyclical fluctuations in business, is accentuated by the large drains upon them from benefit

payments.

"If the funds have been deposited in the banks, sudden rise in the demand for cash with which to pay benefits may come at a time when the banks are unable to stand unusual strain.

"In the past, banks have been weakened, often for months, after a sharp decline in business. At the critical period, when the turn in business from "good times" to depression has become evident, heavy demands for cash have been made upon banks, seriously depleting their cash reserves. At such times the credit structure has tottered. This has usually passed, demand liabilities have declined, reserves have been built up again, and the phenomenon of idle credit has appeared. ...

"If the funds have been invested in securities and short term paper, the effort to turn them into cash will accelerate the decline of security prices and impair the market for commercial paper, making less effective the efforts to check depression.

"If the funds have been used in business and are wanted in large amounts during a depression, the financial standing of the company may be threatened. Only current assets can be utilized. They are under heavy strain during depression. It is probable that only a company that keeps its current position stronger by the amount of its unemployment reserve can enter a depression period and continue to pay benefits without depreciating its credit standing and impairing its ability to maintain employment during depression."

"Employers shall make their unemployment reserve contributions into a fund administered as to detail by the Department of Labor and Industries, and invested by the State Treasurer, each employer's account with the fund

being kept separate, the total fund being kept as a special account on the Treasurer's books. Investment of this fund shall be limited so far as possible to treasury certificates of the United States Government until such time as suitable arrangements can be made for deposit of state funds in the Federal Reserve Bank of Boston.

"We recommend investment in treasury certificates because investigations conducted by the Commission's staff indicate that this form of investment will provide the necessary safety and liquidity and will minimize adverse cyclical effects. We find only one objection of any importance to limiting the investment of these funds in this manner; treasury certificates pay ordinarily a very low rate of interest, and the income of the fund would be reduced by this limitation. We believe, however, that as long as the fund earns enough to pay administrative costs of the unemployment reserve system, the probable effect of its presence on the capital market is of more consequence than additions to the fund in the form of larger income."#

Twenty countries, or more, have made attempts at the ideal form of unemployment insurance. In the "Ghent Plan" the city contributes equally with the employees. The employers do not make any payments. The plan was put into force in 1901. The plan was difficult to supervise and did not prove itself satisfactory.

In Great Britain, a plan was set in motion in 1911 and worked well until 1914, when the war made it unnecessary. From 1920 until 1930 the plan did not work at all well; the expenditures were very heavy. The plan, the details of which I shall not go into, has been changed more or less frequently since 1920.

Great Britain has courageously experimented in this field to her advantage and to the profit of other nations. In whatever way she may reorganize her attack on unemployment, her experience with unemployment insurance suggests a number of considerations which may well be taken into account in the present discussions of unemployment in the United States.

These considerations, briefly summarized, are as follows:

1. Unemployment is largely due to poor adjustment of industry to changing conditions in internal and international trade. Unemployment insurance should therefore be so organized as to tend to make all parties in industry sensitive to shifts in consumer demand, the introduction of new industrial processes and the general rapid rate of change in industry and trade.

2. In planning a scheme of unemployment insurance consideration should be given to its ultimate coordination with a system of old-age pensions. ... An unemployment insurance scheme with a dismissal feature would be a protection against the risk and in many cases would suffice to tide the worker over until the age of eligibility for a retirement allowance if a pension plan were in operation.

3. A brief record of unemployment experience may make possible fairly accurate calculation of the cost of seasonal or even cyclical unemployment but not of the emergency situations involved in the long-time employment trend.

4. A plan of unemployment insurance should be constructed strictly on insurance lines and no departure from this principle should be permitted in any subsequent revision of the plan.

5. In constructing a plan, decision must be made as to whether the scale of benefits shall be designed to protect the workers' standard of living or merely to provide subsistence minimum. Great Britain chose the
latter procedures leaving to private industry and trade unions the task of providing payments additional to the State benefits which were scaled to the wage of the unskilled laborer.

6. The numerous changes in the British law since the war have been dictated by immediate needs or political expediency. Theory and principle have been largely disregarded.

7. Unemployment insurance should not be financed by a tax on employment that compels industries and firms with low unemployment rates to share unreasonably the unemployment costs of others with highly irregular employment. It would seem that in the United States consideration should be given to a scheme of insurance by industry that would contribute to industrial planning, with rebates to firms attaining relatively low unemployment rates as an incentive to plant planning for regularization of employment. ...

8. The administration of a State scheme of unemployment insurance is impracticable without a system of unemployment exchanges.

9. The operation of employment exchanges and unemployment insurance in Great Britain has yielded valuable statistical data, but the scheme has not afforded the information necessary to place it on an actuarial basis.

10. Once an unemployment insurance scheme is adopted it should not be permitted to become the only or even the major reliance in the struggle against unemployment. There must be a framework of prevention that influences management in individual establishments and entire industries and that also affects governmental policy.

Unforeseen developments in Great Britain thus upset all actuarial calculations and the same thing would happen in any industrial nation. ...
11. The total cost of the British unemployment insurance experiment from January 1919 to the end of November 1930 amounted to approximately $2,400,000,000. An additional sum of $1,500,000,000 was spent for out-of-work donations to demobilized soldiers, and in various forms of relief.*

In Germany, a plan went into motion in 1927 and is of the contributory type. The employers and the employees each put into the fund six and one half per cent of the wages of the employees. The cost of administration is paid by the government. Unlike the plans of other countries the out-of-work "employee" receives inversely with the wage scale.

The unemployment plans of the nations cover approximately 35,000,000 workers.

(2) CHARITY OR DOLE IS DEMORALIZING AND DEPRESSING.

A person, who because he has lost his job, and is unable to take care of himself or his family and receives aid from the city, welfare associations or other charitable organizations, is not in a position to "hold his head up" in the community. If he is an upstanding citizen his self-respect is impaired, in spite of the cause of his lack of employment. His faith in his country and humanity in general, is likely to be shattered. His ideals of life must be lowered, at least temporarily, because of his financial circumstances. All in all, when a person receives charity, if he is the type that amounts to much in this world, it is likely to create a demoralizing and depressing influence.

A PUBLIC WORK RESERVE PLAN WOULD BE INADEQUATE.

The advocation of public works during a period of depression is a common remedy suggested by many. Only recently, President-elect Franklin D. Roosevelt has advocated a huge plan of public works, as an aid to the solution of the present difficulties. By this plan it is estimated that 200,000 men will be directly employed. It is quite impossible to estimate the number of men who would be put to work, as the result of these operations, in those industries which supply materials for the public works.

Attempts have been made by governments to plan ahead for public work operations to be put into effect at opportune times.

A definite start was made in lone ranged planning of public works by the Government of the United States in the passage of the Wagner bill in February, 1931. (Senate bill 5776)

This bill, though providing for a small reserve, is a new departure in governmental procedure. It creates a Federal Employment Stabilization Board consisting of four Cabinet officers - the Secretaries of the Treasury, of Commerce, of Labor and of Agriculture.

"It shall be the duty of the Board to advise the president from time to time of the trend of employment and business activity and of the existence or approach of periods of business depression and unemployment in the United States or in any substantial part thereof. ... Whenever, on the recommendation of the Board, the president finds that there exists, or within six months next following there is likely to exist, a period of business depression or unemployment, he is requested to submit to the Congress by special message, at such time and from time to time thereafter,
such supplementary estimates as he deems advisable for emergency appro-
propriations, to be expended during such period upon public works in the
United States or in the area affected, in order to prevent unemployment
and permit the government to avail itself of the opportunity for speedy,
efficient and economical construction during any such period."

The public works emergency appropriations, not to exceed $150,000,000
in any one year, are not, however to be expended for any program the
President might choose, but are specifically confined to highway, river
and harbor, flood control and public building projects.

The bill directs every department engaged in construction work to
prepare and always keep in readiness construction plans. The director of
the budget is required to consolidate these scores of plans, after making
such changes and recommendations as a responsible financial officer com-
monly makes covering six years in the future.

As Federal construction constitutes but about ten per cent. of the
total public construction in the United States, the Wagner Act merely
touches the fringe of the problem. The future problem is that of strength-
ening the Wagner Act, of creating a reserve which would really affect the
situation in times of approaching depression, and of carrying the same
principle into effect in the cities and states."

Such plans are sorely needed. It is estimated from 1923 to 1929
that the Federal government and all local governments in the United States
spent together as much as $20,000,000,000 for public works, road building,
etc. In other words in a period of unworried prosperity and better than
normal employment, the American governments, far from setting aside reserves
for the future, went on with great expenditures for these "improvements."

With the onset of the depression, there were no adequate public reserves but our governments were burdened with peak debts and peak taxations.*

If it were possible for a smaller percentage of public works projects to be undertaken in periods when private industry is active, so that more work might be done during periods when private industry is slack, the Government might not compete with private industry to so great an extent in times of prosperity and thus would not be a factor in the inflation of money rates, prices of materials and employment.

The accumulation of a reserve of public works and purchases by the government would mitigate the severity of a year of depression, but from a practical standpoint the aggregate is not likely to be large enough to make a fundamental difference in the measure which will enforce a degree of long range planning upon business as a whole. Until recently the opinion seems to have been that the business cycle was practically unalterable and that planning of public works was about the only measure that would make cyclical unemployment less severe. The newer attitude is decidedly that cycles need not to be so severe in the future as they have been in the past, and that economic measures can be devised which will bring them under a considerable degree of control. This is a most significant advance in our thinking concerning prevention of cyclical unemployment.

The extent to which depression construction provides employment has been widely and heatedly debated. It is frequently reported that few men are employed on public works projects, highway building particularly, because of the extensive use of machinery. It is also objected that public works cannot provide employment economically for men unfamiliar with the work.

The amount of employment provided by money spent on public works is indicated by several recent investigations. In February, 1932, the United States Bureau of Public Roads announced the results of an analysis of labor cost of concrete highways financed in part by Federal aid. These highways were not built by hand labor methods, but the prevailing methods of construction. About 15 per cent. of the cost of concrete pavements were shown to have been paid to men employed directly on the construction job.*

Ultimately, at least 85 per cent. was paid out in wages and salaries, considering the services to persons engaged in producing materials, supplies, fuel and transportation.#

The additional employment created outside the immediate labor on road construction would not be available at once, but would be spread over several months. Some of it might not appear for a year or more.

Construction of public works is not a cure-all for unemployment. Proper planning and administration of public works, directed intentionally at the goal of stabilization, will make possible, however, reduction in the number of unemployed by thousands in the periods of depression and it will save the government money in the process.

(1) IT IS AN EMERGENCY MEASURE SUITABLE FOR CRISSES.

The amount of public works does not constitute a very large proportion of the construction work of the country. The amount has been estimated to be not more than ten per cent. This ten per cent. would be beneficial only when the remaining ninety per cent has been seriously curtailed. Thus it is seen that public works would be important only as an emergency measure.

# Ibid. p. 167.
(a) IT WOULD BENEFIT CYCLICAL UNEMPLOYMENT ONLY.

Public works take a long time for completion and therefore would not be an aid to casual, seasonal or technological unemployment. There remains only the cyclical unemployment, which exerts itself at the time of the depressions.

(2) THERE ARE MANY OBJECTIONS TO IT.

(a) IT IS UNCERTAIN HOW MUCH PUBLIC WORKS CAN BE DEFERRED UNTIL PERIODS OF DEPRESSION.

During periods of prosperity when business activities are at their height, there is occasion for expansion and the usual course of business has been to expand, as it is needed. The feelings which accompany business activities of a prosperity-feeling also prevail in other lines of activity. The demand for public works usually has exerted itself at this period. It is difficult, therefore, to know just how much should be postponed until the periods of depression. Many times public works have been put into practice during periods of slackness when they were not needed and the opinion of many was that they were a great "waste of money."

(b) IT WOULD BENEFIT CERTAIN GROUPS OR CLASSES.

Not all men are capable or able to perform the work necessary to be done in the construction of public works. It therefore would aid certain and not all classes of the unemployed.
(c) It would be uncertain whether it would give relief to the right parts of the country.

Public works, suitable to employ enough men to make a marked difference on the unemployment situation must of necessity be on a large scale. Certain parts of the country might benefit while other parts would be little helped. Labor is quite immobile. Public works involve actions of legislatures, which in turn involves politics. Politicians do not always choose the right thing and public works may be started for political advantages and one section of the country suffer at the expense of another.
SUMMARY

The stabilization of the industrial working week is a worthy goal for which to strive. There are, as I have pointed out, three different groups which might solve the problem, the employers, the employees and the governments. The employees, whether as individuals or organized, by means of labor unions, or otherwise, seem unable to adequately cope with the situation. It is not their problem, primarily, and consequently they should not be held responsible for the solution of it. As far as the solution being left to the government is concerned, we find the government is constantly entering into the control of business. At the time of the emergency created by the World War, the government showed its effectiveness in the control of industry through the activities of the War Industries Board.

At the present time, we have a number of Boards and Commissions which are active in the regulation and control of various activities of the nation. The people of the United States are gradually being forced to accept the various social controls of business regardless of their attitude toward the socialistic state. The government must assume the initiative in requiring industry to accept stabilization policies and methods because our industrial leaders are not prone to cooperate on a large scale unless forced to do so. Upon the shoulders of the employers, considerable responsibility rests, for theirs is the task of putting into actual use the various policies and methods of stabilization. From the experience of some who have tried stabilization methods they are capable of doing much to stabilize the industrial working week.

There are many means adaptable to the individual employer to make stability a definite and satisfactory solution to the problem of unemployment.
By scientific management, by the regulation of production, by proper planning and forecasting, by coordinating the production with the sales department, by economies of operation, etc., the working week could be stabilized in an effective manner. From the evidence of attempts at stabilization of the working week, it may be seen that stabilization is not a myth but an actual reality. If certain of our firms have tried stabilization methods and have had success with them, there is no reason why more firms should not also attempt the same thing, and be successful. This stabilization would be beneficial to business generally and to people socially for unemployment would largely be eliminated and its curses and distresses along with it.

There are many ways by which the government may aid in the solution of this problem. Many plans have been suggested such as the Chase plan, the Swope plan, the suggestion of some form of Economic Council by giving more power to existing boards and commissions, by acts which will govern the number of working hours for labor, by acts concerning the regulation of child labor, by the proper regulation of tariffs, by the control of immigration, etc.

Unemployment caused by cyclical depressions, is the most difficult to handle, but great forward steps have been made in knowledge pertaining to business cycles. If a "real" theory of the business cycle could be worked out and generally accepted, more progress would be made. However, there is enough material now available for the average employer to use to good advantage in his own establishment. As our forecasting of periods of the cycle becomes more accurate, we shall be able to control the periods of the cycle better, so that we will not continue along the lines of our present "feasts and famines." Lack of initiative is one reason why more employers do not
try to use the information available on the business cycles. They may be likened to that Ozark man who played his banjo and never mended his roof. When it was raining, he could not and when it was shining, he did not need the roof. When the depression comes it is too late to do anything about it and when we are not in the period of depressional misery, we are too busy.

Unemployment insurance has not been considered at great length, because experience shows that it is largely a relief measure and does not, to any appreciable degree, aid employment. The amounts received from unemployment benefits or insurance are so small, as a usual thing, that they provide only for the purchase of the bare necessities of life. Many foreign countries and many states of the United States either have or are considering unemployment benefit or insurance proposals. As is pointed out in the report of the Massachusetts' Emergency Commission on Unemployment there is no adequate way for the handling of the reserve funds of the benefit schemes. This makes a weakness which is hard to surmount.

"Public Works" is not an adequate aid to the problem of unemployment or stabilization. The amount of money spent on public works is a small proportion of the total spent on construction work and would be a temporary measure, which would, in most cases, add to the burdens of the people at a time when the taxes are already heavy.

I have attempted to show that the stabilization of the industrial working week is a most worthy cause, demanding from the part of the government and industry itself, great responsibility for its achievement.
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Stabilization of the industrial working week.