

THE NEW EMPHASIS IN THE PROBLEM OF REDUCING UNEMPLOYMENT¹By H. FELDMAN²

A MOST significant change has taken place in America during the past few years in the analysis of the problem of unemployment, although the steps actually taken to reduce it have been exceedingly few. If we compare the views of economists and official commissions of inquiry of hardly more than a decade ago with those of today, the contrast is indeed striking. Thus, in the Report of the Wainwright Commission,³ which made a thorough study of the subject only eleven years ago, there was not even a hint in the sections on Remedies, Recommendations and Conclusions (pp. 65 to 68) that an important cause of unemployment might be in the slipshod, careless and planless management prevalent in various firms; and no suggestion was made that some employers, at least, could cut down the irregularity of their businesses by improvements in the technique of business administration. The chief recommendations of this commission, like those of its predecessors in many lands, were; first, the establishment of a system of public employment exchanges (a pseudo-remedy on which some people are pinning too strong and naive a faith); second, the directing of children into promising employment (which is important enough for other reasons, but which will have little effect in solving the unemployment problem); and third, the long-time planning of public works by the state and city governments (a very desirable policy but particularly intricate under American political government). The restricted point of view of the time may be seen, for example, in the testimony of Mr. Lindon Bates, Jr., a construction engineer and a student of the unemployment problem, who was one of the principal witnesses called at the Commission's hearing. In response to the request for his constructive suggestions, he said:

Since these are the only two conceivable alternatives, it might be recommended, first, that the State undertake as a definite policy to hold some big public work of a public utility in reserve as against hard times; and, second, that this Commission frame as good a bill as is physically possible, for labor exchanges.

As a background for a discussion of proposals quite different from the "only two conceivable alternatives" which Mr. Bates mentions, a brief review of remedies proposed in recent years will be presented, to show the real advance which the change in emphasis represents.

The Traditional Remedies for Unemployment

The greatest labors in the study of reducing unemployment were undertaken by the memorable Royal Commission on the Poor Laws and Relief of Distress (Great Britain), which began its work in 1907 and delivered its main report in 1909. Since a major portion of its work dealt with the Relief of the Able-Bodied, the Commission was led squarely into an inquiry as to why so many able-bodied persons were always unemployed and what should be done about it. Its investigators called forth the efforts and cooperation of some of England's greatest thinkers, and notable aid was rendered by Sidney and Beatrice Webb, the latter having been appointed a member of the Commission. The greatest contribution to the subject, however, was the paper presented in 1907 by Mr. William H. Beveridge, then Chairman of the Employment Exchanges Committee of the Central (Unemployed) Body for London, and it is this paper, later expanded into a book with the title "Unemployment—A Problem of Industry," whose analysis was called by the Webbs "perhaps the most momentous (discovery) of this generation in the realm of economic science."⁴ Certainly it forms the starting point of the modern program of alleviation, and its influence has been extraordinary.

This great discovery cannot be described adequately in a brief review, and, indeed, one does not wish to de-

¹ Ibid, p. 172.

² Sidney and Beatrice Webb, "The Prevention of Destitution," p. 130. London, 1911.

privilege a reader of the pleasure of perusing the whole document; yet some mention of its content is necessary. Beveridge begins by dispelling some of the old notions. Unemployment is not due to overpopulation, immigration, changes in the gold supply and other disturbing factors, but to cyclical fluctuation, seasonal irregularity and other maladjustments of the industrial system. The reason why the unemployed are without jobs is not merely because they are superannuated, lazy, mentally or physically deficient, or lacking in special training. "The inquiry must be one into unemployment rather than into the unemployed." Unemployment is a concomitant of the disorganization rampant in the industrial system. Taking his main cue from the obvious evils of casual employment, he shows that at the waterfront, for example, the number of men required by individual docks varies from day to day. Some docks are busy at precisely the same time that others are slack. Never are they all busy at one time. However, because of the lack of organization of the labor market, the individual docks do not draw upon a common fund of labor by sending the same man to various points, but each dock employer builds up his own reserve of labor, which a period of slack reduces to a "stagnant pool." The aggregate of these "stagnant pools" is, therefore, far in excess of the maximum requirements of the waterfront as a whole at any one time. While some of the laborers get employment at other docks when they find their accustomed ones slack, this adjustment is marked by friction and is only slightly effective. The one thing needful, therefore, is a greater fluidity of labor so that more of the casual workers will secure regular employment. This is to be accomplished by a system of public employment exchanges along the waterfront, through which the dock owners must be made to requisition their requirements for casual workers. When this system of labor exchanges has made regular work possible for the majority of workers through a plan of giving preference to part of the available supply, the rest of the laborers, squeezed out in this process of "decasualization," will be taken care of through some well-timed public work. On a larger scale, the labor exchange will aid in the "dovetailing" or seasonal requirements of various trades. To some extent it will also function even in cyclical fluctuations, for the fortunes of individual firms vary sufficiently to allow for some alleviation of the distress by securing openings for those displaced.

Brilliant as Beveridge's analysis is, it contains a very serious omission. As a consequence, his remedial pro-

gram falls far short of his penetrating insight. His point of view towards business firms is entirely extramural. He wants them to employ all their labor through a central source (to be made compulsory by law in some cases), but he never questions the need of the excessive hiring and firing in which inefficient or heartless management may indulge. He seems to have overlooked the many crimes against common sense perpetrated daily by careless business firms. When one's eye alights with relief on the term "business organization," it is to find that Beveridge is using it in another meaning—"dovetailing," organization of the labor market, etc.—and that it does not refer to self-improvement within a firm. The question as to whether the individual business need forever be conducted in such a planless manner as to result in remorseless hiring and firing is not even suggested, while emphasis is put on the obligation of employers to cooperate with other employers and with state agencies in adjusting the workers so displaced to the opportunities in the labor market.

This partial blindness (for such it must be called) has pervaded most of the literature that followed. Neither the Majority nor the Minority Report of the famous Poor Law Commission gave the matter of plant or business efficiency more than passing reference, and no mention at all is made to this possibility in the separate conclusions and recommendations which the divided Commission published. As astute a reformer as Sidney Webb failed to see anything in this aspect of the problem. The Minutes of Evidence show that Mrs. Bosanquet asked him very pointedly why attention should not be given to the responsibility of employers for regularization of employment. She said: "Is it not possible to take the line that if employers want more labor in June than in January they must be prepared to strengthen their present staff and reorganize their work, rather than encourage them by maintaining for them . . . a reservoir from which they can withdraw them when they like?" Sidney Webb replied that it was impossible. After a rather insistent rejoinder by Mrs. Bosanquet, stressing the desirability of working along that line, Mr. Webb backed down by saying he agreed with her, provided it could be done; but in the admirable book "The Prevention of Destitution," by Sidney and Beatrice Webb, subsequently published, the chapters on unemployment never mention the approach through better business management, while at the same time possibilities infinitely more fanciful and less practical are proposed.

³ Extracts from the manuscript of a chapter in a forthcoming book on "The Regularization of Employment."

⁴ Mr. Feldman was research secretary for the Economic Advisory Committee of the President's Unemployment Conference.

⁵ Commission on Employers' Liability and other matters. New York State. Third Report: Unemployment and Lack of Farm Labor. 1911.