

What do the American figures on employment and unemployment show, as to the relation between unemployment and the business cycle? A general answer may be given in a nutshell. The unemployment figures fail to tell us the actual number of persons unemployed at a given time—except with very large elements of error and guesswork which would spoil the results for any practical purpose. In this connection the reader may recall the wide variety of unemployment estimates in circulation at the time of the President's Conference on Unemployment, in the summer of 1921—estimates ranging from two million to six million unemployed persons. But unemployment data, when taken in conjunction with the data representing the number employed according to pay-rolls, enable us to construct a reliable, continuous barometer or index of employment cycles.

Such an index can be shown to have a definite value to various groups in the community, not only during depressions, when unemployment is rife, but also during more active times. The index of employment has four main uses:

1. Most directly, employment registers the course of the labor market; that is, it shows relatively how "easy" or how "tight" the labor market is at any given time, much as bank reserves reflect the state of the money market.
2. Employment is some indication of the general course of production, since the hiring and the firing of labor are largely resorted to by employers when they wish to increase or, curtail output.
3. A third practical use is shown by the relation of employment to buying power. The total fund of purchasing power flowing into the hands of wage earners at a given time is conditioned directly by the state of employment.
4. An equally important feature, shown indirectly by an employment index, is the cycle of social welfare. Largely as a result of fluctuations in the economic prosperity of wage-earners, there are found to be pronounced cycles of suicide, crime, prostitution, pauperism, marriages, migration, and other social problems.

In other words, the problem of cyclical employment stands in a position midway between the economic and the social phases of the business cycle; it is a connecting link. Consequently, a reliable index of employment may be expected to prove of more general use than would an index for any purely economic or purely social phenomenon. The following analysis, therefore, concerns not only the public-spirited citizen, but even more tangibly and directly the social student and worker, and likewise the business man, whether he be interested chiefly in employment management, in production, or in sales.

What is an "index of employment"? It is a series of figures so constructed that its fluctuations will reflect changes in the relative intensity of employment between two points of time, without necessarily measuring the total volume of employment or of unemployment—or even the number of persons totally unemployed. In other words, the index method should yield a continuous curve of employment, the high points of which represent active employment, the low points severe unemployment, and intermediate points the varying degree of seriousness of the problem.

Generally speaking, there are three groups of persons engaged in gainful occupations in the United States: 25 per cent work on farms, raising crops, live stock, etc.; 33 1/3 per cent are engaged in manufacturing, mining and building trades. The remainder carry on the tasks of distribution and perform the necessary work connected with transportation, wholesale and retail trade, and personal and professional service. In this study I think that we are chiefly concerned with the industrial wage earners or those engaged in manufacturing and mechanical industries. It is estimated that over 3,500,000 or 1/4 of the industrial wage earners (12,800,000) were out of work June 1, 1921. The average number idle during normal times is about 1,800,000. The average number of days lost each year by industrial wage earners, according to the best evidence available, is about 42 or about 14 per cent of their total working time, and about 35 days exclusive of sickness. The figures do not show this to be true of every industry, although, broadly speaking, it is true of industry as a whole. Building and clothing trades show a relatively high percentage of unemployment and the printing trades a relatively low percentage. It is, therefore, very apparent that unemployment is not an occasional or accidental condition to be met by charitable or philanthropic relief, but a continuing condition more or less varying in intensity, at times becoming acute—its improvement (elimination perhaps being impossible) being one of the most important problems of industry today.

The fact that it is so far reaching in its effect, in that it concerns so large a number of industrial workers, and so costly to industry through its effect on the purchasing power of communities, makes it obvious that not only employers and employees, but the public generally should unite in their efforts to obtain some definite information regarding its causes and to devise ways and means for its reduction.

#### The Significance of Unemployment

Unemployment is a brake on business, whether viewed from the standpoint of the manufacturer, whose lack of orders might be caused by diminishing purchasing power of the workers; from the standpoint of the wage earners, some of whom are out of work and others only working part time; or from the standpoint of the merchant, whose goods do not move on account of the reduced buying power of those of his customers who are out of work. From the standpoint of the public, it is a condition of grave

concern, for in addition to lowering the economic strength of the community, it places upon the latter the burden of helping in one way or another to support the unemployed.

To the wage earner the amount of his unemployment is quite as important in determining his earnings as are his wage rates. Inasmuch as a worker's earnings mean a certain wage rate multiplied by so many days of work, fewer days of work cut as seriously into this earnings as lowered wages. Part time, therefore, is a factor lessening the steadiness of the wage earner's buying power. Generally speaking, unemployment means no wage income, no matter what the wage rate. From a psychological standpoint, unemployment produces weakened morale, discouragement, discontent, and a tendency to radicalism—evils at least as serious as those accompanying reduced buying power.

Industry goes through periods of feverish activity, which are followed almost immediately by others of more or less protracted stagnation. Today the producers are unable to turn out goods fast enough to meet the demand; tomorrow the orders cease to arrive and cancellations follow. Today various concerns bid against each other for workmen and tomorrow the same concerns are running on part time and perhaps some departments are entirely closed.

#### Suggested Remedies for Unemployment

Unemployment is not a recent problem. Since feudal days the "out of work" have demanded attention, and as destitution and necessity for relief usually followed unemployment, the matter was invariably left to the Poor Law authorities and then of necessity a distinction had to be made between the "impotent poor" and the "sturdy rogues." By a slow, painful and expensive process we have learned that charity, whether public or private is a demoralizing substitute for work, and that *the only real cure for unemployment is employment.*

The President's Conference on Unemployment held during 1921 resulted in the appointment of many committees to study the problem and make reports. Most of these studies have been concerned with the post-war emergency and have endeavored to indicate methods by which work could be provided, proceeding on the assumption in most instances that unemployment is essentially a local problem to be solved by each community. As a result householders were urged to paint their houses, paper their rooms, repair their

furniture or do such other work as they had been contemplating. Corporations were urged to give part time work to as many as possible in order to avoid an increase in the number of unemployed. Employers were requested to take advantage of the opportunity to put their buildings and machinery in order and make contemplated additions to their plant. Municipal authorities, local and state, were requested to begin immediately whatever improvements had been contemplated and anticipate as far as possible the needs in repairs and new work for the next few years. Much suffering has been avoided as a result of this publicity by the hastening and completion of much work that otherwise would have been postponed or neglected. Our experience during the last depression, however, has taught us the stern necessity of stabilizing industry in order that periods of frenzied effort and stagnation may not alternate.

For nearly two centuries friendly and benefit societies in England have received contributions from members and in return have paid benefits when their members were out of work. Membership in those societies was voluntary.

In 1894 the Canton of St. Gall, Switzerland, introduced a scheme for the compulsory insurance of all workmen earning less than five francs a day. In addition to the contributions from the members there were subsidies from public funds. The scheme was abandoned after a two-year experiment as it was impossible to persuade all the workmen to join the fund or to pay their dues after joining.

#### The Ghent Plan

In 1898 a commission was appointed by the City Council of Ghent, Belgium, to report some plan of unemployment relief to that city. Following recommendations of this commission, a law was passed which became operative August 1, 1901. Under the provisions of this Ghent plan, workmen are encouraged to unite in approved societies or trade unions for mutual assistance during unemployment. Contributions paid to these societies by employed workmen are supplemented by municipal and state grants. Benefits are paid to unemployed members after a waiting period. The plan of subsidizing trade union benefits has been tried out with considerable success along the line of the Ghent plan in Denmark, France, Norway and Holland. It should be remembered that both under the compulsory plan of St. Gall and the voluntary Ghent system contributions were paid only by the workmen aided by grants from municipal and state