

sible in order to effect the desired economies. Understanding the situation in advance through consultation with management regarding the best way to effect retrenchments enables the representatives of the employees to explain matters properly to the rank and file. The result is fewer misunderstandings and less dissatisfaction and, hence, better morale than when retrenchments are arbitrarily applied by management.

Suffice it to say under the heading of employment stabilization that union-management cooperation is indispensable to the solution of this problem. Not only is the detailed application of certain existing working rules involved in employment stabilization, but the active help of each and every employee is necessary in this process. For example, the cooperation of the employees is very helpful in enabling a railroad management to increase the work in its shop from manufacturing sources. The element of competition with outside concerns must be reckoned with. That progress in employment stabilization has already been achieved by the assistance of union-management cooperation is demonstrated by the fact that the annual wage income per shop employee on the Baltimore and Ohio for the year 1925 has been increased over fifty dollars. In some shops of the Canadian National this income has been increased 10 per cent or more during the last year.

Securing Traffic

The standard unions are in a unique position to help railroad managements in securing traffic. Their ability to be of service along this line results from the policy adopted by the regular labor movement actively to promote the sale and use of union made goods. To this end the American Federation of Labor has established the Union Label Trades Department whose purpose is to "promote a greater demand for products bearing the Union Label and of Labor performed by union workers; to investigate into, devise, recommend, and, within the limits of its authority, carry into effect methods for the advertisement of Union Label products; . . ."

In addition to the traffic which comes to a railroad through the activities of the standard unions of its employees functioning through their various affiliations there is another share which comes through the activities of the local organization of its employees directly on the ground. For example, it has been demonstrated over and over again that many individual employees are frequently in a position not only

to solicit passengers and freight traffic for their particular railroad, but because of special connection or influence, actually to direct such traffic to their railroad. Again their local unions, affiliated as they are with other local bodies of workers and other organizations, enjoy an influence in their respective communities and with the merchants of these communities which becomes an asset to the railroad in securing traffic.⁴

At all events, it has been shown over and over again on the Baltimore and Ohio and Canadian National Railways that the help of the employees and their unions to railroad management especially in highly competitive territory is a factor of considerable value when securing traffic. The business getting capacity of the hosts of railroad workers can be mobilized best through union-management cooperation. The joint cooperative conference provides an excellent opportunity to organize local campaigns for this purpose and the objects of the cooperative program provide the incentive and inspiration to carry on these campaigns.

But perhaps more important than either of the two factors just described for stimulating traffic flow to a railroad is the improved service which results from sound cooperation. This in the last analysis is the test of the railroad traveller and shipper. Is he treated courteously by the railroad's employees; do the trains run on time; are they handled smoothly and safely; are the meals in the dining car appetizing and tasty? When he ships freight, are his goods handled without damage and delay? A passenger or a shipper may, because of either or both of the factors previously indicated, prefer to use one railroad as compared with another and may therefore be inclined to give the railroad he otherwise prefers a trial. But he will not stick unless his predilection is backed up by satisfactory or improved service. It is just because union-management cooperation works to insure the greatest possible effort and interest in good service on the part of the employees that a patron once secured for a cooperative railroad will continue to use it.

How the good reputation of a railroad management in dealing and cooperating with its employees and their unions is likely to manifest itself in the traffic secured by the railroad as revealed by its gross revenues is shown by the following figures. The rail-

⁴An example of the efforts of one local shop federation to stimulate the flow of traffic to their railroad is shown in the pictorial section following page 22.

road in question is the Baltimore and Ohio whose gross operating revenue is compared with the gross operating revenue of all the other railroads in the Eastern District, within which most of the Baltimore and Ohio's traffic originates.

Eastern District			Baltimore and Ohio		
Year	Gross Income	Index	Gross Income	Index	
1921	\$2,297,968,028	100	\$198,622,373	100	
1922	2,357,028,846	103	200,843,170	101	
1923	2,734,569,662	119	255,594,435	129	
1924	2,485,085,504	108	224,318,795	113	
1925	2,559,778,632	111	237,546,940	118	

It will be noted that the Baltimore and Ohio's share of the traffic increases since 1922, the year of the big shopmen's strike, has consistently been greater than the increases enjoyed by its competitors. In 1923, for example, the increase over 1921 was 10 per cent greater, in 1924 it was 5 per cent greater despite certain adverse conditions affecting coal mining along the Baltimore and Ohio and in 1925, 7 per cent greater. Since 1923, the year union-management cooperation was first introduced, the Baltimore and Ohio has increased its gross earnings by \$197 for every \$100 increase of all the other railroads in its territory.

Financial Sharing of the Gains of Cooperation

One of the objectives of the union railroad worker when he supports the policy of cooperation is improvements in his yearly earnings. Steadier work the year round accomplishes this to a certain extent by enhancing his wage income. But this reward as a share of the gains of cooperation is frequently slow in coming. Furthermore, it is a bit difficult for the great mass of railroad workers to grasp its value as long as there are no furloughs in sight. Increasing wage income through stabilization of employment works therefore in a sort of negative way in satisfying workers with their part in the cooperative program. In the last analysis it is desirable to share the gains of cooperation in a positive way in the form of some increase in their wage income.

The best shape for the worker's share to take because of its simplicity and the ease with which it can be understood is an increase in the basic wage rate. By one process or another most wage earners and employers have come to regard the hourly rate as the most important element of the wage bargain. As long as this is true it suggests at least one excellent method whereby the railroad employee may be enabled to participate in the gains of cooperation.

But from the management's point of view the problem of sharing the gains of cooperation in this form is, unfortunately, not so simple. All of the usual complications of wage adjustments come into play, such as the rates of wages paid for similar work by other railroads and in other industries, the cost of living, the financial condition of the particular railroad in question, of the railway industry as a whole, and all industries in general as well as the state of the employment market. In the railroad industry the situation is still further complicated by public regulation of rates. The net result is that hardly any railroad management ever sees fit to step far out in front of all other managements in increasing wage rates.

It is because of these inhibitions that wage earners are so critical of the wage system. The factors ordinarily considered during wage negotiations all seem to combine to retard legitimate increases in real wages. It is only after almost heroic efforts on the part of wage workers, that they are sometimes successful in making progress in their standard of living during times of rising prices. Paradoxical as it may seem, gains in real wages have usually been made during periods of declining prices and then by the hard expedient of resistance to wage reductions by the organized workers.

So is it apparent that the functioning of the wage system in industry, and especially in railroad service, could be greatly improved and made more attractive to the railway employee as well as railway management if the important facts of production were adequately taken into consideration. After all the chief source of higher wages in the long run is the increase in the surplus which is created by improved production methods, elimination of waste and similar devices. What labor must have if it is to realize its legitimate desire to improve its standard of living is a fair share of this increased surplus. Labor's interest and assistance along cooperative lines will not only be maintained but will also be greatly stimulated when it shares fairly in this surplus.

The first step therefore to enable railroad employees to share fairly in the gains of production is to recognize the productivity or increased output factor in wage negotiations. In other words, wages should in some measure be advanced from time to time as the overall output of the men per man hour or day increases. Consideration should also be given to improvements in quality of work done and materials saved. The item of *service*, in short, on the part of