THE account of the President's Industrial Conference of October, 1919, by two members of the Public Group, one an active manager and the other an investigator and publicist, is interesting, not so much because of the details recited as because of the additional light thrown on the composition of the Conference and on attitudes of mind in the Conference. Were the members of the Employer Group really representative of *employers* as the word is commonly understood—persons who in the performance of their functions are reasonably near to negotiations with labor and to the conditions under which labor works and lives? Were the members of the Labor Group really representative of the wage earner—were they persons who in the performance of their functions are reasonably near to negotiations with management, to the shop, to the problems of production and to the conditions of the industry? Was management represented—those who negotiate with and direct labor? Were not the few real managers present so scattered and lost among other groups as to make impossible the expression of a managerial group opinion? Was the Public Group homogeneous; may not other groups have had the strategic advantage of representation on it? And as for attitudes of mind—the reader may raise those questions for himself.

DILUTION OF MANAGEMENT

THE following excerpts are from notes, originally offered in response to a query from the editor of the *Manufacturers Record*, which seem to have presented a sufficiently novel point of view to justify their publication by the contributors, the Aberthaw Construction Co. Modestly offered as "merely a passing contribution to a large subject," they nevertheless present an aspect of the problem of inefficient production which has been too much neglected:

> It is difficult to make absolute statements regarding any aspect of the labor situation today, without danger of prompt and well supported contradiction from some quarter. This is partly due to differences in viewpoint, and hence in the interpretation of apparently chaotic phenomena; partly to the inexactitude of the terms in which men are wont to phrase their opinions.
>
> What, after all, do we mean by the efficiency of labor? If its standard is the number of hours per week during which labor is willing to exert itself, then, assuredly, efficiency is lower than it has been. If its standard is actual dollars and cents cost per unit of production, again labor is on the defensive. Probably it will remain on the defensive in any general consideration of totals of time and money necessary to producing a given result. But do these totals constitute a fair measure of labor efficiency?
>
> At this point another term calls for definition. What, after all, is labor? Is it justifiable to compare the accomplishment of the often highly dilute labor forces of this era of inflation with the better trained and better selected groups of the pre-war period? Dilution, by which is meant weakening the effective strength of skilled groups by the addition of less skilled or virtually unskilled workers, is one of the first results of rapidly expanding business.
>
> And where, further, does labor leave off and management begin, or vice versa? In the building trades, for example, labor is extremely responsive to the quality of its management. Oftentimes coordination, or the lack of it, is the underlying cause of the difference between good work and poor, high costs and low. Thus primary responsibility for results may lie at the door of management;—for management, be it remembered, is not merely the engineering force or the superintendent on the job; it is the entire agency of supervision, which extends down through an organization from president to gang boss.
>
> Today, dilution of management constitutes almost as serious a problem as dilution of labor. In some instances, it is more serious. Dilution of management sometimes expresses itself in lack of individual capacity; sometimes in disproportionate ratios of workmen to supervisors. In building, wherever these ratios exceed fairly determinable limits, costs inevitably begin to climb. And since it is, even in the most inflated of boom times, easier to increase labor forces than to find adequate supervision in satisfactory proportion, increased labor costs, under the circumstances, may be chargeable quite as properly against management as against labor.
>
> In the opinion of the Aberthaw Construction Company the increase in relative costs of building labor during boom times is primarily to be attributed to the dilution of labor and of management,—particularly management in the lower grades. The regular laborer appears to be working just about as steadily and as satisfactorily at one time as another, though his hours of work tend to become fewer.
>
> Given competent supervision, his unit volume of work shows no appreciable diminution; often it shows an increase. For example, a study of the cost of quarrying, breaking, handling to crusher, and crushing stone, made for the years 1910, 1914, 1918, 1920, when corrected to a fixed monetary standard, shows labor accomplishment more satisfactory in the latter years than in the former.

A WAGE ADJUSTMENT BASED ON COST OF LIVING CHANGES

IN nearly all current wage negotiations the high cost of living plays a prominent part, at least in the workers' demands if not in the final settlement. Locally, many readjustments are frankly made to meet rising living costs, and nationally at least one industry officially recognizes the cost of living as compared to pre-war levels as a basic factor in wage adjustments. It is interesting to know therefore how this factor actually influences negotiations. A recent wage readjustment in the printing industry in Chicago furnishes a concrete illustration of the practical application of this factor in securing a settlement.

The cost of living became an officially recognized basis as a result of a contract made last summer containing the following clause:

> Unless it can be shown by the Cost of Living figures of the U.S. Department of Labor, Bureau of Statistics, that during the six months' period from the date this contract is effected and at intervals of six months thereafter, the cost of living has increased 5% or more, then and then only shall the officers of the Unions herein represented, have the right to ask for a further readjustment of the wage scales herein set forth, provided, that the percentage of increase shall apply only to the 1914 scales, the same basis as has been used to work out present scales, as embodied in this agreement, and, further provided, that should the cost of living for one of the six months periods decrease by an amount equal to or exceeding the increases, then any increases above the amount now granted in this agreement may be decreased in the same proportion, provided that no figures shall reduce the scales below those set forth in this agreement.

This clause is part of a supplemental agreement to a five year contract made in 1916. War conditions practically voided the wage clauses in the contract, there being five scale revisions. These rapid wage changes added to the rising commodity costs have led most firms to protect themselves with material and labor clauses in their contracts. They were thus largely free to pass on to the consumer any increased labor costs. Labor on the other hand was earning greatly in excess of the scale, often double or treble, due to overtime brought on by the activity in the industry and the inadequacy of the labor supply. The situation then was one in which labor occupied markedly the strategic position, but in which the self interest of both parties dictated a peaceable settlement in order that both might reap the fruits of prosperity.

The six months period mentioned in the contract expired in February and negotiations were opened by the interested unions. Due to failure of an appropriation the Bureau of Labor Statistics' figures for living costs were not available, so this settlement under the literal terms of the contract could not be made. The unions then suggested that the clause be waived, and presented a demand for a large uniform scale increase. The employers countered with a small increase which they were careful to base on an available Bureau of Labor Statistics food index. This offer was almost immediately raised considerably by the employers and as promptly rejected by the unions who reiterated their previous demand. Although the employers' offer was based on food prices it was nevertheless looked upon as a matter of negotiation by the union representatives, who insisted on doing away with per cent increases in food costs and talking on a basis of dollar increase in wages.

At this point a new spokesman entered the conference for the employers and succeeded, against strenuous opposition from the unions, in reintroducing into the discussion the matter of cost of living statistics. From this point on the employers insisted on the application of the latest cost of living figures obtainable, in lieu of the Bureau of Labor Statistics figures required by the contract, and further insisted on a settlement of the matter by the statisticians. The statistician of the unions beclouded the discussions with a huge mass of undigested and irrelevant figures. This did not however seriously trouble as the unions had come to know the statistician of the employers from previous negotiations as absolutely fair, and the peculiar situation was presented of the unions believing him in preference to their own man. After several days delay a figure was finally agreed upon as representing the per cent increase in the cost of living, but which, when reduced to a uniform wage increase, made a compromise figure acceptable to both sides and was finally agreed upon.

At the outset of the negotiations the unions, sensing the balance of power in their favor, attempted to get back to the old basis of negotiation and very nearly succeeded, actually if not in terms. The employers' recognized that the principle could not be rigidly applied, but determined that it was worth preserving even if in the application, it might be somewhat stretched. The stretching occurred in the figures finally adopted as representing the increase in the cost of living. As a result, however, of the determination of the employers, the principle was preserved as a basis for future adjustments and both employers and employees received a valuable lesson in procedure.

J. H. BATCHELOR.[1]

[1]Recently Managing Executive, The Franklin-Typothetae of Chicago.