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WARTIME LABOR POLICIES

3 May 1948

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COLONEL BEGGS: In the field of labor-management relations, recent lecturers have stressed the importance of peacetime policies. Now we reach our ultimate objective of government labor policy in wartime. As both a student and an author in the field, Dr. Harold W. Metz, of Brookings Institution, is well qualified to talk to us on "Wartime Labor Policies." Dr. Metz.

DR. METZ: I shall divide my discussion into two major parts, (1) a review of the main elements in World War II labor policy, and (2) some positive suggestions as to what might be desirable for the future in a similar eventuality.

In the first part, I shall touch upon three major points, (1) the settlement of disputes, (2) the terms of employment, and (3) the problem of the allocation of manpower.

For the settlement of disputes, as you all know, the National War Labor Board was created. In addition, there were the Conciliation Service, the labor sections of the War Department and the Navy Department, and the War Production Board. The Conciliation Service, the WPB, and the War and Navy Departments all tried to conciliate disputes as they arose in the field. Those that were not settled by such means ultimately came to the War Labor Board.

The War Labor Board, as you well recall, was first created by Executive order and was ultimately recognized by legislation in June 1943. It was composed of equal representation of the public, of labor, and of management. It had jurisdiction over all types of disputes that might affect war production.

It had no method of really enforcing its own decisions. Its decisions for the settling of a case were merely recommendations to the President (so the courts have held); and he could enforce them by such means as were available. The Selective Service and Training Act of 1940 provided for some means of seizure of plants. This was further recognized by the act of June 1943.

I may stress more than necessary the defects in the Board. We are interested in improvements, however. That may be the sole justification for such emphasis.

The tripartite composition of the Board, I think, was one of its

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for a supposedly impartial adjudicatory body to be turned loose in war-time to settle all disputes in the field of management-labor relations without any body of principles that it could apply. But that was done to the Board. In the light of the fact that neither Congress nor the President furnished it with a body of principles to apply, the record of the Board in many ways is remarkable. It is surprising that it functioned as well as it did both from the standpoint of the quality of the principles it applied and from the viewpoint of the peaceful settlement of labor disputes.

Before I turn to the problem of the terms of employment during war-time, I would like to make one observation about conciliation and the peaceful settlement of disputes. Any form of peaceful settlement that places primary emphasis upon the settlement of a dispute without regard to terms of settlement gives a great advantage to whomsoever it is who is about to break the peace. If it is the employer who was threatening a lockout, he would have to be appeased. If it is a labor group that was threatening to strike, a solution would have to be found that would be pleasing to labor so that it would not exercise its right to strike. Actually, of course, in the period from 1942 to 1945, under the decisions of the National Labor Relations Board, practically every form of lockout on the part of an employer was prohibited. Consequently, the problem of all groups interested in peaceful conciliation was to find a solution that would be pleasing to labor so that it would not exercise its right to strike. When the National War Labor Board came into the picture to use compulsory terms of settlement, it found itself in a difficult situation because the Conciliation Service and all other means for peaceful settlement on a voluntary basis had been giving some of the edge to the party who was threatening to break the industrial peace.

I shall turn now to the terms of employment and shall confine the discussion to wages and to the problem of maintenance of union membership.

The National War Labor Board, of course, immediately got into the problem of what were appropriate wages because of union demands and because of the employers' failure to grant those demands. In addition, the Price Control Act of 2 October 1942 conferred upon the President the power to control increases in wages, and he delegated his power to do this to the War Labor Board in all cases where the remuneration was less than a fixed salary of \$5,000 a year. That meant, of course, that the Board had a major task before it. Here again neither Congress nor the President demarcated any principles that were to be applied by the Board.

The work in the Board in the wage field really was of two types, (1) the settlement of disputes where the workers demanded a wage increase and the employer refused to grant it, and (2) situations in which the workers and the employer were agreed upon the wage increase but, under the Executive order issued under the act of 2 October 1942, government

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Obviously that meant that they got paid twice for a period equal to the length of their would-be vacations. Frequently other devices were discovered by which to justify increases.

The second major principle that the Board applied was that gross inequities and inequalities in income should be eliminated. That meant that if in one plant or industry workers were being paid less than those employed in another plant or industry of a comparable nature, then they were entitled to an increase. It should be remembered, of course, that inequities could be corrected in another way, by reducing the pay of those who are above the average in a plant or industry. Actually this was only theoretical because the Board could not consider such cases. It got disputes only where the employer refused to grant an increase or where the employer wanted to grant it but he had to have approval. It never got the case where the pay was above the average, so it could never do anything about that type of situation. Further, of course, when wages below the average were raised to the average, it meant that the average was continually increasing.

The third principle applied by the Board was that substandard wages had to be increased. Substandard wages were those that did not supposedly realize to the workers a sufficient income. What was a sufficient income in terms of budgetary requirements and size of family was never stated by the Board. Neither did the Board specify with any exactness what hourly rate was required for a wage to be considered substandard. In some cases it had put it at sixty-two cents and in other cases as high as seventy-two or seventy-three cents. It should be remembered that at the very time that the Board was handing down decisions holding that a sixty-two-cent wage or a seventy-three cent wage was substandard, there was still on the statute books the Fair Labor Standards Act of 1938 that fixed the minimum at forty cents. The forty-cent minimum fixed in the statute may have been substandard in 1945 in terms of requirements, but it was still on the statute books.

The fourth principle applied by the Board was that a wage increase that was necessary for the prosecution of the war could be granted. In one case such an increase was granted in the Boeing aircraft works in Seattle. Subsequently the Chairman of the Board, Mr. Davis, admitted before, I believe, the House Banking and Currency Committee that such a wage increase had to be granted because no strike could be tolerated there, for the workers were engaged in producing the B-29 bomber. Other cases of a similar nature can be found.

I would not want to give you the impression that I would say that the wage policies of the Board were ineffective. Hourly earnings increased probably sixty percent whereas the cost of living increased about thirty percent during the war and weekly take-home pay probably increased close to ninety percent. But how can we tell what the increases in wages would

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This, of course, rested on voluntary cooperation. There was no real means of compulsion. If any worker was dissatisfied with the War Manpower Commission office or the Employment Service office in their treatment of him in making a referral and if he was persistent, normally he could go out on his own and do what he wanted.

Now, I want to turn, in the last few moments, to what I hope are some constructive ideas of what must be included in a government labor policy in a future war.

I would take it that the major objective of any government labor policy in war must be to insure that maximum production for war purposes and production to meet the minimum civilian needs can be accomplished with a minimum number of men diverted from the Armed Services. That being the objective, I think a number of things must happen.

First, very early in the war, practically at its outbreak, it would be imperative to pass some form of selective service act that would apply not only to the Armed Forces but to the allocation of manpower to necessary civilian employment or for war production. I have in mind something like what we talked about in the winter of 1945 and what Britain had--a "work or fight" law--with definite power in the selective service machinery to assign people to jobs or to the Armed Forces. This would mean, of course, that workers could not quit their jobs at their own volition. To do that is something that certainly runs contrary to my nature. In fact, any form of government regulation runs contrary to my nature. But I see no other way out in a total war. So much as I may dislike forms of government control and even may believe that they are generally undesirable or ineffective, I do not see how we can prosecute another war without full and complete control of manpower, without some authority with the competence to allocate manpower to all kinds of work, not only the Armed Forces.

This would require a very good United States Employment Service. I think the Employment Service today is far superior to what it was in 1942. It probably needs to be improved still further. But it would have to be, in the last resort, the core, the main operating agency, in any form of compulsory civilian service law.

Second, if you are going to have some form of compulsory referrals to jobs and compulsory work for civilians, nevertheless, some kind of machinery for the settlement of disputes would be required. Even though we adopt legislation preventing persons from quitting jobs to which they are referred by the Government, disputes will arise between workers and employers; and such disputes have to be settled. I certainly think it would be up to Congress to pass some real legislation setting up machinery for the settlement of such disputes wherein the legislation would regularize the principles to be applied by the agency and would definitely regularize the method of enforcing its decisions. I personally would prefer that such an agency consist

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When it comes to the problem of maintenance of membership and the closed shop, I would be very hesitant to recommend the continuation of the principle of maintenance of union membership in another war. I believe that a union, like any other association, ought to be a voluntary association and it ought to be responsible. As long as workers do not have to pay dues, one of the more important methods of making the organization responsible is cut off, that is, through the withdrawal of financial support. It is hard for me to see how unions are a positive force useful in winning a war, especially if we have some form of compulsory service legislation. But if they are, then a justification exists for something comparable to maintenance of union membership.

That is all I have to say in the way of direct recommendations. I suppose that when you ask me questions, you might want me to elucidate some of them.

QUESTION: What would you do with the National Labor Relations Board in the event of another war?

DR. METZ: That is a very important question; it is very much worth while. I am not trying to brush it off by saying it is important and then not answer it. The work of the Board could go on in cases where there was no real threat of a strike that would interrupt war production, that is, in the designation of bargaining units and settling unfair labor practices. Obviously, though, when a dispute threatens war production, I think it would have to go before a counterpart of the National War Labor Board. I realize that will put the National Labor Relations Board in the shadow and will introduce difficulties, but I think the primary requirements of war production must come first.

QUESTION: What policies should be established, sir, in your opinion, to govern, in the next emergency, the employment of this large pool of Negro manpower that we have?

DR. METZ: Maximum utilization will have to be made of them. When you have adopted any form of compulsory service and compulsory referral, you have literally avoided anything comparable to the Fair Employment Practice Committee, because the referrals will have to be made by a central manpower agency and the employer will have to take people referred to him or suffer penalties. If the workers threaten to strike, a case will come before the War Labor Board; and, obviously, we cannot tolerate strikes on the part of workers against the decisions of the war manpower agency. So indirectly the function performed by the Fair Employment Practice Committee would, in the long run, devolve upon the War Labor Board. We could not tolerate any type of discrimination either by employers or by employees on the basis of race, color, or other conditions. I am making such a statement only about wartime. So far as I am concerned, we do not need to cross the other bridge of peacetime policy at this stage.

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should be given the power by Congress to write them by Executive order. I think it is highly undesirable that any regulatory body in case-to-case adjudication of this sort should attempt to demarcate the principles. I think that the principles ought to exist before a dispute arises so that pre-existing rules of law may be applied to the situation. I would not want the principles to be written by management alone and I would not want them to be written by labor alone. I think they should be written by Congress primarily and by the President.

Possibly I do not understand your question fully. If I have not answered it, please elucidate further.

QUESTIONER: I don't think Congress can make those principles, because they do not know anything about it. Why couldn't they ask labor and management to draw up these principles, which could be used to decide disputes between them?

DR. METZ: Remember, these are to be applied in the public interest. The public interest may be something different from what management and labor get together on.

QUESTIONER: Why couldn't they ask labor and management to submit recommendations to Congress and then Congress write them in final form?

DR. METZ: That is probably what would happen through the committee procedures of Congress in the hearings. The AFL, the CIO, the National Association of Manufacturers, and the Chamber of Commerce of the United States would probably give testimony on what they believed should be included in such legislation. But I think it must come from a public source and not be primarily based upon what labor or management might want or the two together might want. It must depend upon the public interest, which might differ from either or both.

QUESTION: I would like to ask if you would give us your ideas of how public opinion can be influenced to support compulsory national service. That seems to be the big problem.

DR. METZ: I am hardly a student of public opinion. I do not pose to be. But certainly it must be passed through Congress. I would not be for anything that was done otherwise. How you are going to educate Congress as to its need, I would not attempt to stand up here and say because I have not thought about it. It certainly is a most important problem of their education, and they do not want to look at it if they can avoid it. I can tell you that.

QUESTION: Do you think the system of price control used in World War II of renegotiation, tax on excess profits, and that sort of thing, would be adequate for a profit control under a national service in a future war?

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connected with and administered through an employment service in order to insure that people do not malingering and draw unemployment compensation when jobs are available. As a consequence of that, the Employment Service got in the habit of referring primarily unemployed persons to job vacancies. Therefore, able employed persons who might need new jobs never came to them because they did not get much consideration. Those two major factors contributed to its weakness.

Another difficulty was that the employers did not have much confidence in it because it was connected with the Department of Labor. Remember, the basic, organic act of the Department of Labor, in section 1, provides that the Department is to represent the interests of the laboring man in this country. That is a good thing to do, but you can hardly be impartial between employer and employee if you are charged by law with representing the employee's interest. So long as the Employment Service was in the Department of Labor, the employer would regard it as primarily something that was interested in promoting the workers rather than promoting good employer-employee relations.

If an employment service is going to be effective in the long run in bringing employers and employees together, it must be able to bring to an employer the best available man to fill the job; and it must encourage in the employer the opinion that it is trying to do a good and fair job. I am rather skeptical, in the light of the organic act of the Department of Labor, that that spirit of employer cooperation can be developed in the Employment Service when it is in that department.

Today the Employment Service is far superior to what it was in 1941, and I think popular respect for the Employment Service is much greater than it was then. There is still a long way to go. In the light of the basic act of the Department of Labor, maybe the placing of the Employment Service in the Federal Security Agency is all for the best. Of course, we must remember that from the summer of 1939, I believe, on to the outbreak of war, it was in the Federal Security Agency.

QUESTIONER: Hasn't a law been proposed in the last month that would take the Employment Service and the Bureau of Unemployment Compensation out and put them in a separate agency?

DR. METZ: That has been discussed. Congress, you recall, refused to leave it permanently in the Department of Labor. I believe legislation is pending before Congress that would rest it permanently in the Federal Security Agency. I imagine, in the light of Congress' attitude toward the President's Executive order under the Reorganization Act of permanently placing it in the Department of Labor, that it will be transferred to the Federal Security Agency.

COLONEL BEGGS: Dr. Metz, your scholarly analysis of the government's task in formulating labor policy has been of great assistance to us. We are very grateful to you.

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