

PRINCIPLES OF MANAGEMENT-LABOR RELATIONS

22 October 1953

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COLONEL NORMAN: General Greeley, gentlemen: There is probably no area in the broad field of manpower in which we in the military have a more vital interest than that of labor-management relations. As we all well know, much of our success in our operations is dependent upon a timely supply of materiel from industry. Of course, this supply of goods and services from industry in turn is dependent upon amicable relations and teamwork between management and labor.

For our first lecture in the labor-management relations area, we have Dr. Neil W. Chamberlain, Professor of Economics, and Research Director of the Labor-Management Center of Yale University. I can speak with assurance when I say that we are indeed fortunate to have him with us. Dr. Chamberlain, I am very pleased to present you to this audience.

DR. CHAMBERLAIN: General Greeley, Colonel Norman: I can speak with very real assurance to say that I am pleased to be here, too, Colonel Norman. I remember with great pleasure my visit here last year.

The subject that we have to deal with this morning has been listed as "Principles of Management-Labor Relations." I would like to approach this subject from a slightly more theoretical basis than perhaps is normally brought to this subject. I think if we can approach this from an analytical or theoretical point of view, it should serve to help us organize much of the data, the empirical research which keeps coming across our tables, our desks.

I suppose that at one time or another practically every person in management and most of us have raised the question, "What are the unions after?" And to this question some of the more cynical observers have replied with a very short answer--power and money.

Without saying that this answer is wrong, I think we can agree that it is incomplete. When a majority of workers cast their ballot for a union in an NLRB representative election, they are not casting their ballot simply for power for a union or for money. They are casting their ballots for some union because they consider it to be or hope that it will be an effective agent in helping them to secure their aspirations, objectives, and goals which motivate them as individuals.

Unions, of course, are not perfect instruments for the achievement of the objectives of the workers. Unions have their own objectives. The leadership of unions is not always perfectly responsive to the

desires of their memberships. Yet, we cannot go to the extreme of saying they are unresponsive or unmindful of the objectives and aspirations which are held by their members, and which lead the workers in plants where a union has not previously been active to permit a union to come into that plant.

So if we want to know what the unions are after, we must also go to the objectives, the aspirations, the goals of the workers themselves. A great deal of attention has been paid to worker motivation in recent years. I am sure that many of you have run across studies of this sort. Managements in many instances have instituted surveys of the desires of their workers. What is it that causes a worker to be satisfied with his job or to be dissatisfied with his job?

While a lot of this information is unsystematized and unstructured, we are beginning to get a better picture of what is on the mind of the worker; what kinds of things the worker is after; what kind of person the individual worker is. And while we can't say that our portrait of the individual worker is completely reliable or authentic, at least we do have a feeling that we are getting a clearer understanding of the nature of the worker as an individual.

First, workers, like all of us, are not motivated by a single aspiration of money or of consumer goods which money will buy. They have complex systems of aspirations. It is true they aspire to certain standards of living which accord with the standards of the social or neighborhood groups of which they are a part, standards of living which help them to hold a certain position in their own society. The adequacy of the standard of living which they are enjoying at any time is largely determined on a comparative basis. They judge the adequacy of their income, or the consumer goods which it will purchase, in terms of the standard of living to which they have been accustomed over time--an intertemporal comparison.

It is hard for them to take a cut in pay for the obvious reason that it usually means a cut in expenditures, an inability to keep up the way of life to which they are accustomed. But the adequacy of the standard of living is judged not only by intertemporal comparisons but also by interpersonal comparisons--whether one's standard of living is keeping pace with that of his friends and neighbors, or fellow workers in the plant, or in his occupation, or in his union.

If a worker's friends are receiving pay increases which permit them to raise their standard of living, he will be a mighty unhappy individual if he himself does not receive a wage increase which will permit him to keep up with his friends. It is not surprising, then, that when a round of wage increases gets started, most workers expect

to be in on the round and will feel badly treated if they are refused an increase which those around them are getting, despite the state of profitability or unprofitability of the company with which they are associated.

But along with the aspiration for a higher standard of living, which is synonymous with wage increases for our purposes, there go a number of other aspirations. It is quite clear, for example, that many workers seek what we refer to as job security--the assurance that their job will be there for them tomorrow, the day after tomorrow, next year, and indefinitely. It appears from a number of studies which have been made that workers are even willing to sacrifice higher incomes and promotions in order to achieve some form of job security.

This job security has a number of aspects. It includes to be sure the hope of the individual worker that he will be kept on his job even when layoffs are taking place. But it also means such things as getting a fair hearing--when an individual worker is accused of violating some company rule, the assurance that he will be given his just due and not discharged for some unimportant misdemeanor for which he has no actual responsibility. If discipline or discharge can be meted out without the worker having any recourse to a fair hearing, this means insecurity. Job security to the worker also means not having to jump to do the supervisor's bidding for fear he will incur the supervisor's displeasure; a feeling of being independent, of having the power to stand up on his own feet and express himself and act as a man.

Now, in addition to these aspirations for wage increases or rising standards of living and for job security, there are numerous other aspirations which characterize workers in our society. We can mention these just briefly.

Workers seek employment which provides them with enjoyable working environment--such things as congenial associates, decent supervisors, pleasant physical surroundings. They prefer work which is interesting and satisfying to them. They want to feel the respect of their associates and their superiors. They like to feel the integrity of the group of which they are a part, the feeling that they can build together a worker's society of which they are a part, without that society's being disintegrated by some arbitrary action on the part of management.

We have, then, a variety of motivations or goals or aspirations--whatever you choose to call them--which characterize individual workers. I think it would be safe to say that in most instances these aspirations, numerous as they are, are organized into some kind of a pattern, some kind of a structure of aspirations. When some of these aspirations are

more satisfied than others, we find a differential emphasis being given by the workers, an emphasis upon those aspirations which are unsatisfied. These become, then, the problem which he faces and the immediate goals which he seeks to achieve.

If you make any study of the numerous job satisfaction surveys which have taken place, you will find instances which at first appearance seem to be discrepant. You will find in some instances workers seem to prize more highly wage increases or particular wage rates and mention only secondarily such things as job security or congenial associates, pleasant relationships with supervisors, and things of that sort; whereas, in other instances you will find these mentioned in the reverse order. Job security may take precedence, or the desire to have some control over their assignments or work operations may loom largest at the time of the interviews.

This, I think, simply indicates that in that particular work environment the thing which is stressed most is that aspiration which is least satisfied, and depending upon the present satisfactions of their goals or objectives, workers will list or name certain unsatisfied aspirations as those which seem most important to them.

We also have considerable evidence showing that these aspiration patterns differ with the age of the workers. It has become quite clear, for example, that younger workers tend to place greater emphasis upon consumer satisfaction, job satisfaction; that is, the actual physical surroundings and human associations on the job, respect for them as individuals, things of this sort are rated by them much more highly than job security.

Then we find that as individuals advance in years, they marry, settle down, begin to raise families, buy homes, accumulate a variety of responsibilities, that with that accumulating responsibility there comes to be a greater emphasis upon job security, to the extent that in numerous instances individuals will pass up promotions that seem to them to carry the risk of the loss of their long-range job security.

Perhaps some of you have been struck with some of the polls which indicate the numbers of workers who refuse advancement into foremen's ranks. A number of labor-market surveys which have been made suggest that one reason is that workers may feel that once having been graduated out of the rank and file where they hold seniority, which represents to them job security, they are on their own. They will refuse better jobs where they must make good and where failure to make good will subject them to possible discharge and resulting loss of the continuing association on which they have based the discharge of their responsibilities to their families.

So we have this changing pattern of aspirations over the years, with an earlier emphasis upon wage aspects, the satisfaction aspects of the job, and with the later emphasis upon the security aspects of the job.

Now, regarding these aspirations of workers as a whole, thinking of these various elements which compose a worker's aspirations structure, we can divide these goals or objectives into two principal categories. We can think of those aspirations which, on the one hand, do not cost management anything to grant; on the other hand, we can list those aspirations which have a price tag on them and which involve a cost to management to grant.

In the first category the objectives of workers which do not cost management something to grant, we can list first and foremost respect and recognition for individuals as individuals. This means such things as seeing that workers in the shop are kept fully informed of all decisions and actions taken by the company which affect them or their jobs. It means such things as management's seeking advice and information in those matters that fall within the sphere of interest of the workers. It means giving workers an opportunity to criticize, to initiate, things of that sort.

In the last issue of "Business Week" there is an article about the Townsend Company, a steel fabricating firm in New Brighton, Pennsylvania, which came under new management with the appointment of a president by the name of Frederick R. Dickenson just a few years back. He came down from operations in Michigan where he had become very much impressed with the importance of winning the respect of workers and recognizing the importance of the individuals in their work satisfactions. He sought to introduce this kind of relationship into the Townsend Company in Pennsylvania. He stated in this interview with the "Business Week" reporter that he considers this the greatest contribution that he has made to this company which he has taken hold of and attempted to rejuvenate. As an example of the kind of thing he has done there, the reporter makes this statement:

"Dickenson's management policies aren't concerned only with machinery, plants and costs. He makes a near-fetish of genuine employee participation. At one company which Townsend took over, the Dunn Steel Company, the plant manager talked not only with the foreman but with all 100 plant workers before the final plant layout was O.K.'d. After the contract award, there were more talks with a scale model. Plant Manager John G. Spruhan says it makes for better relations and brought many good suggestions."

This kind of thing which involves the respect for individuals, their opinions, their feelings, the fact that the job does represent

to them the locus of their own social relationships is something which does not involve a cost to management. Respect, for example, is not a scarce item where more respect for one individual means less respect for another. With respect to this kind of aspiration on the part of workers, there is no price tag for management to worry about. There is no cost to management in recognizing these aspirations and attempting to meet them.

Sometimes in the literature we get the feeling that this is all that is needed to establish good management-labor relations; that once respect is accorded, pleasant union-management relations ensue. That is much too simple a picture to present, however. We cannot accept that things are quite as simple as some of these analyses would lead us to believe. There are these other types of aspiration, of which we spoke, which do involve a cost to management; these are by far the most usual cases.

They involve all those things that we normally read about in the papers as leading to strike action, leading to disputes between unions and management. We only need to mention a few of them to remind ourselves of the number of objectives of workers that do involve a cost to management, a cost which management must consider--such things as wages, of course, but beyond that, vacations, pensions, insurance plans in a variety of forms; work loads, work quotas, rates of operation; promotion of layoff systems based on grounds other than efficiency; employment guarantees; compensation for preparation time, call-in time where the individual reports without having work available for him; for down time when the machine is not operating but workers are at the plant; for the time spent by union officers in working on grievances; the negotiation of individual job rates and other such matters which take up the time of management. All these things involve a cost.

Wherever there is a cost to granting the desires or demands of workers, then management is faced with a calculation which I would like to stress. Management in such instances must answer the question for itself, whether the cost of granting the demands is greater than the cost of refusing the demands. That sounds like a pretty simple sort of calculation, but we will see, I think, as we proceed with our analysis how important, how basic is this calculation which management must make.

The cost of granting or agreeing on the union's terms is readily apparent. We need say little about that. The cost of the kinds of items that we have spoken about is something which can be computed in terms of the money spent to satisfy such aspirations, of the time, the energies that must be utilized to satisfy these objectives of the workers.

But what is the cost of refusing the demands which workers make? What is the cost of declining to grant the terms which unions are

insisting upon? Well, these costs involve a number of things. They can, of course, lead to workers quitting--a strike situation. But beyond this, it can lead to such things as lowered morale; conscious or unconscious sabotage or slowdown on the job; unfavorable publicity, and things of that sort, which can actually involve cost to management and which it must calculate before it can balance off the cost of resisting the demands of its workers.

So managements, then, are faced with this prime calculation, this all-important decision: which is greater, the cost of agreeing with the union or the cost of disagreeing with the union. To some this kind of calculation may sound as though management is simply in pursuit of the "almighty dollar"; that management's decisions are put upon a purely pecuniary basis and money calculus. It may sound as though in adding up the cost of agreeing or disagreeing on employee demands, managements are simply reducing human relations to the dollars-cents basis; that they are concerned solely with business efficiency.

To arrive at such a conclusion would be fully as erroneous as to conclude that unions are interested only in power and money. Management, too, just like the workers, have their aspirations, their objectives, their goals. They have their basic drives just as do the unions and the workers whom they represent. We know perhaps a little less about management's drives and objectives than we do about those of workers, but we know enough to be able to list here some of the goals which characterize management in American firms.

These would include such things as rising standards of living, but it would go on to include such things as the joy of creative achievement in being able to build a company and make it a leader in its field, to produce quality products, to win acceptance of a large measure of the American public.

I might recommend to your attention a novel which came out just within this last year and which perhaps as forcibly as anything presents this kind of American management. Perhaps some of you have already read it--"Executive Suite" by Cameron Hawley, a very absorbing story, built around the aspirations of a management group to build up, to exercise this creative power, and the extent to which it sacrifices money values in trying to achieve this kind of objective.

Then we would have to go on to say that management seeks such things as recognition and prestige. They like to be acclaimed by fellow businessmen and the people in the community as being leaders in their particular field. Management, too, is appreciative of congenial work environments. The parade of vice presidents who have left Montgomery-Ward is testimony, for example, to this fact. And management, too,

do have their desire for a measure of security. They may find security in other means than do the workers. There may be less stress upon security, but, nevertheless, managements, like any of the rest of us, can never wholly eliminate the importance of retaining that job link which allows them to maintain their positions of prestige in the community, to perpetuate the standard of living to which they have become accustomed. So security, too, must be listed as a management objective.

I think you can readily appreciate that these aspirational drives characterizing management are very similar to those which characterize the workers. They may be organized in different patterns, the emphasis may be differently placed, but the elements are basically the same.

Moreover, we have no objective basis for saying that these managerial aspirations are any less or any more entitled to consideration than are the aspirations of workers. Each has equal claim to satisfaction. We have no objective basis for saying that the objectives of any one group are more entitled to consideration than are the objectives of the other. And we could go on to say, then, that the costs to management of granting worker demands, worker aspirations are the sacrifice of some measure of the aspirations which they seek.

This would be true in that whole second category of worker aspirations of which we spoke, where the granting of worker objectives involves a cost to management. As soon as we are in that category where granting the aspirations of one group involves cost to the other group, we are in the realm of scarcity values where more for one means less for the other.

There are limited resources for satisfying the aspirations of all those who are connected with the company, management and workers, and these limited resources must be allocated between those who are competing for the satisfaction of their own goals and drives. For management, for example, to pay out higher wages for the same amount of work--satisfying the union drive in this respect--may require it to raise the price of its products, thereby lowering the sales of its products, and preventing perhaps that company expansion which management aspires to, not only for increased profit but also to satisfy that urge for creative achievement on its own part, or to satisfy the desire for prestige which comes with the expansion, the growth in the plant with which management links its name.

To agree to arbitrate grievances, for example, may appear to management as involving a sacrifice of authority from which it derives satisfaction. It may impose upon management the need to debate the various decisions which it seeks to put into effect. This would encourage management impatience with these obstacles which are put in the way of achieving the goals it has set for itself. Improved

pension plans for workers may prevent the use of funds for the management's bonus plan, funds for plant expansion, or other things which management is seeking.

A few years back when Benjamin Fairless, president of U. S. Steel, was testifying before a joint congressional committee with respect to steel price increases because of the union demand for a pension plan, he submitted this statement:

"We did not believe in December [when the union demands were presented] nor do we believe now, that there is any good reason why we should sacrifice the income of stockholders and the interests of the business as a whole in order to provide additional benefits for our employees."

Here you have clashes of aspirations, to satisfy the desires of the workers for the pension plan meaning the sacrifice of the drives or aspirations or goals of those who represent management or the stockholders in the business. The calculations of management, then, of the cost of agreement versus the cost of disagreement is not simply a dollar fetish but represents the clash of worker aspirations with management aspirations.

As soon as we say that a concession by either side--the granting of a demand by one side which has been made by the other--involves a cost, we are back in the realm of scarcity values where more of something for one means less of something for the other. That holds true whether speaking about money, job satisfaction, or prestige. On such issues the aspirations of the two groups collide.

Now if we can assess these as representing in a rough sort of way the basic drives of these two groups, management on the one side and labor on the other, we can then go on to raise the question of what techniques are available for resolving that inescapable conflict which results from the condition of scarcity.

One way in which the conflicts can be resolved or reduced is by changing the aspiration of one or the other of the two groups. The great religions, the codes of conduct, systems of philosophy which have evolved over the years are directed towards this objective. In particular, there have been those religions which have sought to deemphasize the quest for material possessions which are limited in quantity, and, hence, involve that scarcity condition which means that all aspirations for these limited material goods cannot be satisfied, necessitating a conflict between those who seek to acquire them. "Lay not up for yourselves treasures on earth," is an example of that kind of approach, designed or calculated to reduce aspirations for limited goods which involve this conflict because of these scarcity conditions.

We have the philosophers, the ascetics, individuals like Thoreau in our own country who have again sought to reduce the drive, the quest for material possessions which are limited, where more for one means less for the other. We have had others who have sought to wipe out status distinctions, where a higher status for one, let us say, means a relatively lower status for others.

But while most of us in our more philosophical moments may give lip service to the desirability of this kind of solution to the problem, there are very few of us who are able to live on such a nonmaterial or noncompetitive plane as is represented by this religious or philosophical resolution of the conflict that arises from scarcity conditions. American society is recognized worldwide for its high material culture and we take a certain pride in our material achievement.

The American people are recognized as fierce competitors in these respects. We can safely say that our culture tends to reject the ascetic approach that would tend to play down the drive for limited possessions. We seek those things which are in fact limited and which necessarily then bring us into the realm of conflict with others who are also seeking these same possessions.

If then we rule out this approach of reducing the aspirations or modifying the aspirations, changing them from those which aspire for limited goods to those in the realm of the spirit where possessions are not limited in quantity, where more for one does not mean less for the other, then there is one other approach left to resolve the dispute or competition; that is the drives for the satisfaction or aspiration on the part of individuals which conflict with the aspirations on the part of others.

This sole remaining means of resolving the conflict is through the exercises of bargaining power to see who gets his desires at the expense of others. In essence, bargaining means making demands on others, setting your demands as high as possible to achieve as much of your aspirations as is possible and yet setting these demands low enough so that the cost of concession to the individual on whom you are making the demands is less than his cost of refusing those demands.

Consider one microscopic example in the field of labor relations, the case, let us say, of a secretary in your office. Suppose the secretary comes in and asks for a day off. Perhaps her boy friend is just returning from overseas and she is anxious to meet him and be with him. So she comes in and asks for a day off. Suppose at the same time you have an important job which must get out, a high priority attached to it, and a day's delay would vitally affect the success of your accomplishing this responsibility that has been placed upon you. In that event your cost of agreeing on her demand for the day off is likely to be greater than the cost of disagreement on her demand. For the cost

of agreement means your inability to satisfy the responsibility which has been placed upon you and on which your reputation depends. Your success in the administration of your job is dependent upon your reputation. While the cost of disagreement involves the knowledge that your secretary will be discontented, dissatisfied, that you have set up a feeling of rebellion within her, it might lead to her doing a poorer job than otherwise would be the case. In this event, your cost of agreement being larger than your cost of disagreement, you will be likely to refuse her request for the day off.

But if she comes in with a counterproposal in which she says she will stay that evening to finish that job, then the situation changes; because your cost of agreement on her terms has then been lessened, you are able to satisfy the objective you have set for yourself in completing the responsibilities which have been placed on you. At the same time your cost of agreement on her terms remains as before. The fact, then, that she has by this counterproposal lowered your cost of agreement on her terms means she is more likely to win this concession from you to achieve those objectives for which she is seeking.

Thus, each individual makes demands to satisfy his objectives; how much of his objectives he realizes depends entirely on the cost to the one on whom demand is made, relative to the cost of disagreeing to his terms. We could set this out then if we choose as being the fundamental condition for the achievement of one's demands or terms: Other's--cost of agreement is less than cost of disagreement. When we make demands on others, the fundamental condition for the achievement of that demand is that his cost of agreement on your terms must be less than his cost of disagreement.

Now, in addition to lowering the other's cost of agreement as in the example I have just given you, there is one other important way of winning the demands, the concessions which are sought, and this is by trying to increase the other person's cost of disagreeing on your terms. So you set that cost of disagreeing sufficiently high so that he recognizes that not to give in will be more costly to him than if he concedes what you are seeking. We may be inclined to think of this as being a form of blackmail, and yet it is a fundamental bargaining power relationship which characterizes all human dealings. We can find it in all walks of life and all levels of human intercourse. The child who throws a tantrum because his wish is thwarted is in effect trying to impose on his parents a cost of disagreeing on his terms. Or when a wealthy benefactor withholds a contribution to a school or a church or some other institution until or unless that institution adopts the values which he himself holds--for example, views of racial equality--or gives to a building his own name and appoints some individual whom he is interested in seeing placed. In this case, too, that individual is trying to achieve his objective by imposing on the institution a cost of disagreeing on his terms greater than the cost of agreeing.

This same effort to build up costs of disagreement is present when a worker threatens to quit, or becomes sullen or uncooperative when the employer fails to give him a wage boost or promotion that he wants. It is present when the employer threatens to discharge an employee or transfer him to an undesirable job, to reduce his pay if the worker doesn't come to work on time or increase his output, or meets some other demand which management is putting upon him.

In all cases one person faces the cost of disagreeing with the demands made by the other. Whenever any person wants somebody else to do something, he can achieve this result only if the other's cost of disagreement on his terms is greater than the cost of agreement.

So one important way of improving your bargaining power is to discover means of making it more expensive for the other fellow to disagree on your terms. This is the chief function which labor unions serve in our society. If one employee quits because his demands are not granted, the cost to his employer may not be very great, but if all the employees quit, go on strike, the cost is much greater. The cost of disagreeing on the demands of workers--the demands which are designed to accomplish their aspirations--increases enormously and may become sufficiently larger than the cost of agreeing to those demands to bring the concession which is sought. Workers increase their bargaining power by combining into bargaining units thus--as a result of such weapons as the strike, picketing, or the boycott--making the cost of disagreeing on their terms more costly to the employer.

The employer has similar weapons. He can shut down the shop; move to another location; go into a different line of business; withhold employment--thereby making disagreement on his part costly to the individual worker.

We refer to the process by which each side makes demands on the other and assesses its cost of agreement and disagreement on its terms as collective bargaining. All of us sometimes read more significance into collective bargaining, calling it such things as the achievement of industrial democracy and other titles of this sort, but fundamentally collective bargaining is just this power relationship, the power relationship which comes from trying to impose costs of disagreement on the other party in order to induce him to grant your terms because the cost of granting those becomes less than the cost of disagreement.

There are thus only two ways of resolving the conflicts that arise because of scarcity conditions, where someone's asking or demanding something that costs someone else something is the fundamental problem. You have the possibility of change of aspirations which we have said is not likely to be the one adopted in our society; and, second, the assertion of relative bargaining power.

We sometimes think that Government is another means of resolving such conflicts, but Government is people and these people, too, have their aspirations and their cost of agreeing and disagreeing with the various groups in their constituency. So the relationships become more complicated but not different when Government people are involved in these labor-management disputes.

At times, too, we get the notion that unions or managements ought to adopt policies or make certain concessions to the other; that some of these demands by one on the other are good and some are bad; that there is a right and a wrong in labor relations. Such an ethical approach means we are questioning the aspirations of certain people, and while we all have our views on that subject, and while a culture tends to encourage certain views over other views, only a few daring philosophers, not widely accepted, believe they have discovered any values or goals which can be unequivocally labeled, objectively, as good or bad, the absolute truth.

We can, as individuals, favor union aspirations over management aspirations or vice versa, but our reasons for so doing go back to our own values, our own aspirations for the kind of a society in which we would like to live.

We have no objective basis for believing that on this issue management should give ground or on that issue the unions should give way. Objectively, we can only recognize that each group has its own aspirations which it seeks to achieve, but because of the scarcity condition, greater achievement for one means lesser achievement for the other, the aspirations of the two groups must come in conflict, and they must be resolved by the bargaining power relationships.

We have to face the fact that the union-management relationship always has been, is, and always will be a relationship entailing conflict because of the general scarcity condition, that more for some means less for others. Aside from conversion to asceticism or a renunciation of worldly values, the competition for material satisfaction and prestige rankings guarantees conflict.

Now I think it is healthy for us to recognize this immutable basis for conflict, to bring it out in the open, to see it for what it is. It is not the class conflict of Marxist philosophy. It is the inevitable competition that comes with scarcity conditions. It occurs in Marxist society no less than in capitalist society. It is no respecter of ideologies.

Once we admit this, then we don't have to feel ashamed because in our society unions fight management and vice versa. Nor do we need to feel this is something we need to eliminate--because it cannot be eliminated, aside from spiritual transformation such as few of us expect.

This does not mean that there is nothing that can be done to reduce union-management conflict. There is, in fact, a great deal that can be done, the nature of which is suggested by this analysis through which we have been going this morning. The approaches are old but many of the techniques are new.

As the first approach we would have to go back to that injunction of Socrates--"Know thyself." Only through a greater perception of what we are, how we got there, and where we want to go, and whether we are getting there can we have any clear understanding, can we properly assess our costs of agreeing or disagreeing on the other fellow's terms; and only through a clearer understanding of our own drives and objectives do we have any basis for calculating the costs of conceding or not conceding the demands which are made by others.

Often we are inclined to react emotionally to the demands which are made on us, thereby betraying that power for rational calculation, for rational solutions, which is our distinction from lower animals. For example, managements have often reacted emotionally to union demands for seniority systems. You have only to think of the period of the thirties in such industries as steel and automobiles to recall the fierceness with which managements fought the introduction of seniority systems into their plants, yet in most of these cases management was not considering in a cool and calculating fashion how little would have been the cost of agreement and how great would be the cost of disagreeing on this demand by their workers.

In a great many operations skill requirements have been sufficiently reduced so that there would have been little loss that would come from using one man on a job rather than another, however he might be selected, whether on the basis of seniority or not. In many cases, management was running a rough seniority system of its own volition so that the principal cost was one of pride of authority. At the same time this drive for seniority came out of the deeply rooted objective or aspiration on the part of workers, particularly this drive for job security of which we spoke a short time ago.

The favoritism and discrimination that accompanied the right of the foreman to determine who would be assigned to particular jobs; the need on the part of workers for subservience to foremen who held this power; the kickbacks that came to the foreman for the right to a particular job when there were numerous others in their employ who were seeking the job; the patronage of stores owned by relatives of the foreman in order to incur the good will of the foreman and a job in preference to some other employee--these things have been identified and have been established beyond dispute. Managements now will often admit that those things did go on.

An account by "Fortune" magazine of the system in United States Steel during the thirties makes very clear the kind of favoritism that went on. When the unions were established in the steel and automobile industries in the mid-thirties, one of their primary objectives --the immediate drive, was for the establishment of the seniority system, which would eliminate the necessity for bootlicking. In reply to the charge that seniority gave no heed to a man's ability, the unions held that at least it permitted the assignment of jobs on an objective basis which could be carefully safeguarded by the unions.

A great deal of conflict in this kind of situation would have been avoided if management had coolly and carefully calculated in terms of its own basic drive, its cost of agreeing to the union's terms relative to the cost of disagreeing. Because in terms of its basic drive and the objectives which it sought, the cost of agreeing on this demand for seniority would have been relatively small compared to the ill will; careful calculation could have helped to avoid the lengthy disputes and the strike situations which built up in consequence of its disagreement and which became its cost of disagreeing on the union's terms.

This consideration of the importance to the unions and the workers whom they represent of the seniority drive in the thirties leads us to the second general approach which can help to solve this conflict between unions and management. This is an increased understanding of the other fellow, knowing his aspirations and how dearly he holds them. We don't have to approve of his aspirations in order to try to understand them, but only through an attempt to understand them can we at all calculate his cost of disagreement and his cost of agreement on our terms, the terms which we set as a means of achieving our aspirations, our objectives.

We may find that by relatively slight modifications in the demands which we are making we can greatly reduce his cost of agreement on our terms. If we needlessly frustrate his aspirations, we are needlessly raising his cost of agreement on our terms, thereby reducing our own chance of achieving what it is that we seek.

Now, some of you may feel that all of this sounds fine, but isn't it simply an application of the Golden Rule. I would say no. It may be that we would find an advantage, for example, in doing to others quite differently from what we would have them do to us simply because of our understanding of the fact that their aspirations differ from ours. It means only trying to understand ourselves and what we seek, what things we hold most dearly, and the things which we prize most highly and trying likewise to understand the same characteristics of those with whom we must deal, whose relationship is important to us, on whose cooperation we necessarily depend.

Our bargaining power, the bargaining power of unions, the bargaining power of managements is increased by sharper estimates of wherein lies actual cost to us of agreeing or disagreeing on the other's terms and the cost to him of agreeing or disagreeing on our terms. Now these are the two basic approaches.

What are the techniques which may be available to help to achieve these approaches, to try to acquire the faculty of clear perception of what it is we seek or what it is the other fellow seeks from others?

One is discussions and conferences. Every opportunity to be with the other fellow means an opportunity to know him better and an opportunity for him to know you better.

The second one that has been used with increasing frequency in business is employee polling, making clear to management wherein the operations of the business are failing to satisfy the drives of the workers.

Another means is improved communications systems which allow a clearer exchange of views and an understanding of what it is each of these groups is driving for, what it is seeking to accomplish. In this regard even such things as a greater facility in the use of the English language can be an immense advantage.

Improved cost accounting can be of great assistance in helping to calculate those costs which might not appear on management's books or helping to calculate the cost of agreeing or disagreeing on workers' terms.

A fifth means is the continuing exploration of alternative means of meeting the aspirations or the drives of others at lower cost to us.

Finally, an increasing array of sciopsychological techniques growing out of theory, some of which approach gadgeting, many of which are still experimental, but some of which offer real promise. Such things include psychological tests of various kinds, all of which are aimed at clearer understanding and perception of what the other seeks, the drives which motivate him. The use of these techniques is largely in its infancy in labor-management relations, in the operation of a business, but their use does not depend upon increasing good will, upon being a good fellow, or any kind of softheartedness or muddleheadedness. Rather the introduction of such techniques in labor-management relations, their increased use in the business world, can be as cold and calculating as an accountant's operations, put on a simple basis of the best way to get what you are after.

In summary we can say this: The aspirations of everyone cannot be satisfied. There are scarcity limitations so that more for some means in many areas less for others. We can sympathize with the aspirations of others while at the same time recognizing that they have no objective basis for a claim to their satisfaction. As long as the scarcity condition is present, whose aspirations are satisfied and in what degree depends on relative bargaining power. These relative bargaining powers depend on management's cost of agreement and cost of disagreement on the union's terms and on the union's cost of agreement or disagreement on management's terms.

While the conflicts are unavoidable due to this scarcity condition, they can be reduced by a clearer understanding of one's self and the other person, the goals and aspirations of each, to permit more perceptive estimates of the cost involved in agreeing or disagreeing.

On first inspection, this may appear to be only of hortatory value, a hopeful injunction without much chance of realization. I don't believe that this is the case. I think it involves the development and application of techniques of understanding human behavior comparable to our development and application of the techniques of understanding the forces of inanimate nature. There is no magic solution or ready formula to solve the problem of union-management conflict. Improvement must be sought at the most basic level, in terms of elemental human aspirations and drives for satisfactions. At no other level can you approach resolution. The path we must follow in labor-management relations is, I think, becoming clearer at the same time that the need to follow this path is becoming more urgent.

QUESTION: Doctor, early in your talk you mentioned your standard-of living factor in its influence on labor-management relations, and later in this field of conflict, which is inevitable. The question arises in my mind as to whether or not there is an obligation on the part of both labor and management to prevent inflation of the standard of living beyond a measure which our rate structure can support over the long term and that if they do not prevent inflation in the standard of living, then we will enter into, at some time in the future, an area of conflict which may be far greater than we care to face. Would you discuss the maintenance of a balanced standard of living, avoiding inflation of the standard of living?

DR. CHAMBERLAIN: If I get your question correctly, you are concerned with the problem of a general inflation which may deteriorate the standard of living for some?

QUESTION: A general inflation which we may not be able to support over a long period, every worker driving an expensive car. We know we can

only do that when everyone is buying, everyone is on his feet. Every worker can't drive a car.

DR. CHAMBERLAIN: I suppose that as our productivity increases over a long haul, conceivably at some future time some workers might be driving expensive cars. It is hard to say. That might happen. I don't think any of us would be inclined to regard that as a bad thing. But however much the standard of living may rise, there will always be some dissatisfaction. The struggle is relative, some groups trying to raise their standards relative to others, some advancing faster than other groups. You find many points of view which may argue that improving the lot of the poorer groups is a good thing and that we should encourage the lifting of standards of living of the lower income groups. I suspect most of us would agree with that, but at the same time, to the extent that this effort to increase the standard of living of lower income groups necessitates such things as higher income taxes--perhaps more distribution in favor of lower income groups--this does involve cost to others and this must be fought out in that arena.

QUESTION: There are times when the general society simply cannot afford to permit the conflict between labor and management to pursue its normal pattern, when a strike is contrary to the public interest. Would you discuss the relationship under such circumstances?

DR. CHAMBERLAIN: Yes, this involves, for example, the whole question of national emergency strikes with respect to certain provisions for intervention when strikes seem to work hardship upon the public. Again I would treat this in terms of bargaining power relationship.

The use of the strike weapon in some situations creates a cost for the public so that for them to continue to agree on the desirability of using this strike weapon imposes upon them a cost of agreement which may be greater than the cost of disagreement with the use of that weapon. At that point, then, we have a public expression of a need to curb the use of the strike weapon, depriving unions and management of this right or this privilege of exercising this kind of pressure on each other. Then you have your bargaining powers largely within the political arena where you have the public exercising pressure upon its representatives in Congress to try to do something about this situation which is imposing upon them a cost greater than they are willing to face.

Perhaps I can put it this way. There will be two elements involved in that kind of situation. One would be that most of us prefer voluntaristic methods of reaching settlements in relationships with each other. We prefer that wage patterns be negotiated by individuals, that prices be set by individual firms rather than that Government should impose rate structures, whether wages or prices, on parties. That is, we prefer a voluntaristic system of relationship in our society as compared to any

governmental dictum. However, there come times when to fight for that value, to accept that value, to champion that value has a cost attached to it. There is a price tag to each strike.

We live in a sufficiently interdependent economy so that when a public utility is shut down by a strike, that represents a hardship on all those who are customers of the particular firm, which may loom more important to them than the principle of voluntarism. The cost of agreeing on the voluntarism becomes greater than the cost of disagreeing. The cost of disagreeing involves the cost of services rendered to them. Then we have public pressure being brought to bear on this problem, designed to limit this right of strike in particular situations so that this cost will not be imposed on the public. But it still involves the whole bargaining power area.

QUESTION: Doctor, you have discussed the problem of the conflict between labor and management from the point that labor is a integrated unit, that is that the arguments submitted by labor are the arguments of the individuals in the labor force. There has been a good deal written over the past few years indicating that the representatives of labor oftentimes are not truly representative of the feelings of labor. There was a particular emphasis on that during the election of Senator Taft, where the unions were definitely opposing him and yet members of those unions overwhelmingly voted for him. Would you care to discuss that aspect?

DR. CHAMBERLAIN: Yes. Perhaps I could make my position clear if I prefaced my answer with a few remarks of this sort: It has seemed increasingly to me in the last few years, when I have been working with this approach, that this kind of bargaining power relationship that I have been speaking about this morning, where you define bargaining power of one individual or one group as being the other's cost of agreement relative to the cost of disagreement on its terms, that this is really the fundamental relationship which characterizes social relationships of all sorts. So I would argue that this bargaining power relationship is true not only in the case of union-management relations but of virtually every type of social relations of which we can conceive.

The examples which I mentioned in the case of the family, or in the case of the church, or college institutions, things of that sort are indicative that this bargaining power relationship in which each individual is trying to achieve certain goals which can only be satisfied by some kind of a cooperative relationship with others, the social relationship in which his ability to achieve his aspirations, his goals, depends upon the cost to the other of agreeing or disagreeing, would be equally true in the internal union relationships. You could equally say that the individual members have certain goals; the union leadership has certain objectives; and that these objectives may at times conflict or

clash so that the satisfaction of one may not permit the satisfaction of the other.

In this kind of situation, then, the resolution of that conflict depends on the relative bargaining powers of union membership versus union leadership, and at times you will find that union leadership wields sufficient power to impose the cost of disagreeing on its terms on its membership, as to require, to compel almost, the membership to go along with policies which it may not wholly approve. At the same time, the union membership likewise has a means of imposing the cost of disagreeing with its goals on its union leadership, the possibility in some instances that it may turn out the union leadership which has failed to recognize its desires and the drives which characterize it. What the results will be in any situation depends on the relative bargaining power of the rank and file within the union versus the leadership within the union.

In some types of union you would find that the leadership controls the membership to its own advantage, which allows the leadership to achieve its aspirations, with a greater power on its part to impose a cost of disagreement on the membership than the membership holds to impose a cost of disagreement on its leaders.

In other cases the situation is reversed. In some types of internal union relationships, there is sufficient control by the membership over the leaders as to again virtually compel the leadership to conform to union drives, even though these may fly in the face of the drives or objectives that characterize the leaders.

QUESTION: I would like to ask one more question on top of that. Have you in your investigations found any trend in the United States over the past few years of unions going toward democracy or more towards autocracy within themselves.

DR. CHAMBERLAIN: I couldn't answer that with any authority. It would call for a very thorough investigation, more thorough than any of which I know. I would be inclined to guess--I am just hazarding an opinion--that it probably is going in the direction of greater membership control over their leaders. But this is just an impression I have from a variety of things that have come to my attention.

COLONEL NORMAN: Thank you very much, Dr. Chamberlain, for a very stimulating and thought-provoking discussion of this area.

(1 Feb 1954--750)S/mmg