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LABOR MANAGEMENT RELATIONS: AN OBJECTIVE ANALYSIS

1 December 1958

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LABOR MANAGEMENT RELATIONS: AN OBJECTIVE ANALYSIS

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MR. HILL: Gentlemen, Dr. Dunlop is a man who is prepared to answer all these questions which we have raised but have not answered. His experience has been manifold in many directions, not only as a teacher at Harvard University, but also because of practical experience in industry as an arbitrator for construction people. I am sure that you are looking forward as much as I to what Dr. Dunlop is going to tell us this morning.

It is with much pleasure that I give you our audience, Dr. Dunlop.

DR. DUNLOP: It sounds like I've been turned loose to the wolves.

It is my custom to divide the time that is available on such occasions equally between time for a few relatively systematic remarks and the second half for your most difficult and pressing questions. I much prefer the question period, and so I hope you will not disappoint me.

I very much appreciate being invited to come here today. This is my second visit to this platform, and it is good to be back.

My task this morning, as I understand it, is to discuss some of our more vexing labor-management problems. Since this is the last in a series of lectures, I have sought in preparation to take a little wider point of view than might have been the case if this lecture was in the middle of a series. Another reason for this larger perspective grows out of the fact that I spent last year on leave, happily away from the telephone, to sit and think in Geneva, Switzerland, and to study comparatively industrial relations systems around the world. This wider vantage point may help to place some of our domestic problems in a more understanding perspective.

My remarks can be organized under four breakdowns. First, I would like to emphasize the fact that industrial relations systems are arising all around the world, and we need to know something about the different types of systems. Second, I want to note some of the most distinguishing characteristics of the United States industrial relations system for we have most distinctive labor-management arrangements. Third, I should like to discuss briefly the operation of collective

bargaining in the United States. Finally, it is no doubt appropriate to comment on some of the mobilization problems which are created by our system of industrial relations.

Industrial relations systems are arising throughout the world. In our times industrialization is sweeping the whole world. In the perspective of history, our generation is in the midst of a great transformation--that once and for all irreversible journey from agrarian and commercial communities to an industrial society. In 1850 the world had only one model of successful industrialization--that led by middle-class capitalists. In the 1950's the newly industrializing countries have a wide variety of prescriptions, a range of political and economic forms, and a growing body of industrializing experience from which they may choose. The experience with the methods of achieving an industrial society continues to grow in diversity, as the recent history of India, Yugoslavia, China, Brazil, and Egypt will illustrate.

The peoples of the world are everywhere on the march toward industrialism. They aspire to higher living standards. They yearn to throw off economic backwardness, illiteracy, disease. They are determined to narrow the inequalities that have been growing over the last hundred years between themselves and a few rich western countries. They know that they face desperate tasks and that they must run twice as hard in order to narrow these gaps, since the advanced countries continue to grow. Their leaders are exhorting dedication to hard work, and they are committed to an industrial future. These new industrial men that are being created are more highly educated than their fathers. They tend to enjoy better health and longer lives and more leisure. Living standards are materially higher eventually. But industrial man is impatient to achieve the ever-higher expectations inherent in an industrial society. But industrial man is sentenced to hard work; whether he be a worker or a manager; he is also required to conform to an elaborate web of rules in the workplace and at the community.

Wherever industrial societies emerge, there arise industrial managers and industrial workers; and these managers and workers come to interact with each other regardless of the political or economic form of the society. Every industrializing society thus creates an industrial relations system. In our world today there are not only conflicts among cultures and conflicts among economic systems, but there is also competition and conflict among different types of industrial relations systems.

At the early stages of an industrial society, the institutions are pliable. They are likely to be in a formative state. As we look around the world, we see the newly industrializing countries experimenting and struggling to put together their own industrial relations systems. What shall be the relations of managers to workers? What shall be the attitudes of workers to managers? From what groups shall labor leaders come, from workers themselves or from intellectuals, lawyers, politicians, or others from outside the plants or work places? What shall be their functions in the new society? How shall unions be financed? How shall labor-management disputes be settled? I invite you for a few moments to compare some of the principal competing industrial relations systems that are growing up around the world.

There are certain elements which are common to all industrial relations systems. Last year I studied the coal industry and the building industry in eight to ten countries. A great many common rules arise in building operations even if one compares the extremes of Yugoslavia and Spain. Everywhere weather affects construction. So there must be rules about weather. In every coal-mining country that I know there is a rule about concessionary or house coal; coal miners get so much free coal. There are problems of where to start counting the work day in a coal mine--whether the mine is in the Soviet Union, in Germany, or in Spain. Many similar features of all industrial relations systems are based on a common technology and on common market conditions. But I wish to turn mainly to the differences which arise among national industrial relations systems.

I would like to sketch very briefly the three main types--ideal types--of industrial relations systems that are in competition around the world.

The first is characteristic of societies that are industrializing led by what might be called the "feudal elite." I do not wish to speak specifically of any particular country; but in order to illustrate this type more clearly one may refer to many of the developments in Spain or Portugal or to many countries undertaking development more recently where feudal families are leading industrial relations. There are elements of this type of leadership in each industrializing country; no country is entirely characterized by one of these ideal types of leadership.

Under the feudal elite industrialization takes place no more rapidly than is necessary to preserve the control of this group. We see a high value placed on the extended family, upon the church, and frequently

upon the military leaders. The elite has a paternalistic view of society, and workers are personally dependent upon managers. The labor organizations that arise are split ideologically and often split on a religious basis. They are organized on industrial lines. The regulation of industry by agreements or regulations is on an industrywide basis, not at the plant level. Managers and workers at the plant level tend to develop their own institutions and to set their own conditions relatively independent from the industrywide regulations. Here we find the work council concerned with problems at the plant level and relatively independent of regional or national labor organizations. The labor leaders are intellectuals, drawn frequently from outside the labor movement. Labor organizations are not well financed. The government plays a very significant role in the determination of all industrial relations disputes. Strikes are looked down upon as an interference with the paternalistic view of society that this industrial relations system pictures.

The second type of industrial relations system has grown up where the industrialization process is under the leadership of the middle-class elite. This is the classic case that developed in England and the United States, although again I am speaking of an ideal type rather than of any particular country. Here the elite glorifies the market; industrialization is at a pace determined by demand and supply and profit opportunities. The labor movement that arises is not split ideologically and not split religiously. Labor organizations take a variety of forms--craft, industrial, and general unions. The labor organizations operate in the first instance at the plant level. They are regulatory of management at the actual place of work. The unions are administrative organizations. They have strong budgets. They are run by professionals, who come up from the rank and file of workers. The strike is not looked down upon. It is regarded as a natural extension of the market. And the workers organize into unions that are not narrowly restricted by either political parties on the one hand or by work councils on the other. The government does not preempt the determination of the conditions of employment. The union has a large area in which to function.

The third type emerging industrial relations system arises in societies led by what may be called the revolutionary elite. The Soviet system would be an example of this ideal type. The society is dedicated to the fastest possible pace of industrialization. It sweeps away the old order in its entirety. This industrializing elite develops a single, unified labor movement organized on industrial lines exclusively. This

labor movement is an arm of the political party. Its functions are not primarily to regulate management, but to perform certain social functions--social security and educational functions in plants. Labor organizations push production, support discipline, and serve as a communications channel between the elite and the industrial workers. This labor movement has no budgetary problems, funds are supplied by the regime. Its leaders are drawn from high party functionaries who have spent their lives in the relationships between the union and the party. There are no strikes. They would shatter the ideological view of the society as well as interfere with production. The workers as a class are regarded as wards of the party.

As industrialization proceeds around the world, in addition to competition for industrial leadership and competition among ideologies and economic systems, there is competition among these three ideal types of industrial relations systems within the industrializing country with emerging workers and public or private managers, and there are different opinions and competing ideas over the way to organize industrial relations.

The industrializing countries are confronted with some very hard decisions; and in these choices the type of unions which we have been trying to export have some very great disadvantages. Is there really any likelihood that in the foreseeable future "free trade unions," as we understand them, are suitable for these industrializing countries and will be widely adopted in the emerging industrial countries? Let's look at some of the problems that they face.

They have the very hard choice between how much to push for wage increases and improvements in consumption and how much to encourage economic development. If you think of the primary function of the union as protecting its members and getting wage increases, except for narrow limits in which higher wages increase physical productivity, there is conflict with the objective of economic development. The union patterned after the West has the problem of balancing its interest in its members and in the natural asperations for economic development. This is no serious dilemma for a labor organization in the society led by the revolutionary elite; the labor organization exists to push production and to further the ends of rapid industrialization.

The union also faces a choice between strikes and production. The union's function in the middle-class led society frequently is to strike and to develop its organization, and yet in an industrializing country a greater

concern with production may be insisted upon by government and may represent the paramount interests of workers and their leaders.

We think of a union as being concerned with grievances. But in many underdeveloped countries the principal objective of a labor organization is to develop a high standard of discipline, to develop a trained work force, not to present grievances, but to develop a high pace of work and discipline and to support management.

The middle class elite regard a union as being politically independent, not only of management but of the regime. But in all of these underdeveloped countries labor organizations are confronted with a hard choice of whether to be subservient to the political leaders in order to enjoy status with management and with government agencies, in order to enjoy financial support and in order to play a role in the industrializing community. In many industrializing communities the leading elite would not allow a relatively independent labor movement.

I conclude this first topic with a question: In the competition between different forms of industrial relations systems and between different types of labor organizations, is the image of a free trade union suitable to an underdeveloped country, and is the export of our institutions of the labor market likely to serve either the interest of the industrializing country or the workers of that country seeking to establish themselves and to establish a position of prestige? I am not here concerned so much with the long run or ultimate objective of a free trade union as with its usefulness as a practicable immediate objective in an industrializing country.

From the perspective of countries at the early stages of industrialization, let us turn to the second major topic, the distinguishing characteristics of industrial relations in the United States.

The United States has a unique industrial relations system. Every country's system is somewhat distinctive, but it is fair to say that ours is more peculiar than that of most countries. It is only when we see our industrial relations system against the background of the arrangements of other advanced countries that we recognize our distinctive characteristics.

First, ours is an industrial relations system in which the plant level focus is strongest. If you were to ask: "What is the most unique thing about industrial relations in the United States?" I would answer:

"It is that the plant level is the primary focus of our industrial relations." Our unions are strong at the plant level. They seek to regulate in a constitutional fashion managers at the work level. We have a decentralized system which works at the workplace.

Second, our industrial relations system has unions that do not challenge the main tenets of our society. Mr. Meany in a speech some time ago put it this way: "Our goals as trade unionists are modest, for we do not seek to recast the American society in any particular doctrinaire or ideological image." Even the British unions have devoted a fair amount of their energies and time in recasting in a particular doctriniaire or ideological image a good deal of British society. It is fair to say that our unions, unlike any others in the world, thoroughly accept the dominant economic and political institutions of the society.

Third, we live in a country where both our managers and workers have been highly individualistic. Our employers have not organized tight associations. Our unions have had to confront over the years individualistic workers. Primarily because of the individualism among our workers, we developed the unique device of the closed shop and gave so much prominence to picketing, which is not common to the labor movements of the rest of the world except as occasional demonstrations.

Finally, our industrial relations system involves a large role for professionals. By "professionals" I mean on the union side a growing body of men whose career is tied up with admininstering unions and with collective bargaining, and on the management side there is a growing group of men who call their occupation "personnel" or "industrial relations." The large number of these men in our society is unique as compared with any other society.

And in that same connection, happily for me, we also have seen the emergence of a group of professional neutrals--men with university, Government, and other backgrounds who spend their time working between management and unions, acting as arbitrators or mediators on a large host of questions that arise in any industrial relations system.

My third major topic is to comment about the operation of collective bargaining in the United States.

Collective bargaining in the United States performs at least three major functions. It is a system of settling disputes that arise, on a

voluntary basis in the main; it is a system of setting wages; and, it is a system of establishing and administering other rules of the workplace. What shall be the hours of work? Shall there be three men in an airplane cockpit or only two? Shall conductors be paid by how long their trains are, in addition to how many hours they work? Which workers shall be laid off first in the event of a reduction in the work force? These and hosts of other questions involve the rules of the workplace.

Wherever there are workers and managers, there are certain to be disputes--differences over the authority of managers, over the duties of workers, over grievances that arise. Collective bargaining is a constitutional system now erected at the workplace in the United States, normally ending in arbitration, which provides orderly procedures to settle these disputes.

I remember some time ago being called to Connecticut to a brass mill to arbitrate a case under a contract. It seems some worker had called his foreman an Irish S. O. B. They had gotten into a fight, and the management had fired him. The question for arbitration was, Is he entitled to be reinstated or is he not? This was a dispute; and had it not been resolved, it might have tied up production in the plant. I found that the foreman's name was Sullivan and therefore that he was Irish. On the issue whether he was an S. O. B., I suppose I did what many arbitrators do when a case is fuzzy. I split the difference a little bit.

But this is an illustration of the wide range of disputes that arise, some serious and some almost trivial to an outsider. But no dispute is ever trivial to the people involved. No one who has not worked in modern industry or who has not managed plants can fully appreciate the variety of disputes that arise. Disputes which are not settled tend to fester; they can result in a deterioration of morale and in a loss of production. It is no mean achievement in our American society to have developed on a trial and error basis a system which extends through most of our large industrial plants, a system under which grievances, problems, and disputes are settled systematically and expeditiously on the whole in accordance with established and respected procedures. These procedures were not determined by national legislation, they were developed and tailormade by unions and managements to fit the problems of each particular workplace.

Collective bargaining, it has been noted, is also a system for establishing new rules. We have created in this country a complex system of industrial jurisprudence. The first contract, you may remember, in

1937 between the U. S. Steel Corporation and the Steel Workers was a one-page document. By now the document may run to a hundred pages. The wage system involves a great big volume of job descriptions and classifications of operations into labor grades. There are supplementary pension and welfare programs. Industrial relations prolificates rules.

Sometimes these various rules get out of date. Sometimes they are not carefully administered. The complex body of rules places a great strain upon the administrative arrangements within unions, where internal politics is not unknown, and on management. We have a number of cases in the country where piece rate systems have gone awry, or where seniority systems have become ill adapted to the problems of a plant, and when one man gets laid off, there follow a series of bumps through a half-dozen departments that disrupt the whole plant. In such cases the rules established through industrial jurisprudence are ill suited to the particular problems of that plant. Or a plant may go into a new industry or into a new product, and the problem will be to refashion and recast the rules in the light of the new problems.

Collective bargaining is finally a system of setting wages, a system of dividing up the economic pie. It may be useful to take a few moments to say something about one of the principal problems which confront wage setting in the United States, one about which you have been reading in the newspapers, and that is the problem of inflation. Is it true that our system of collective bargaining tends to result in more inflationary wages and prices than we would have without it? This is a controversial topic, and I am certain that you have been thinking about it.

I would like to suggest a few of the factors which are likely to make for a gradual inflation in wages and prices in the next 10 or 15 years, and we shall also review some forces which are operating the other way. Then you can balance or weigh these opposing forces yourselves and form your own conclusions as to the likely course of wages and prices.

Here are some of the principal forces tending toward inflation in the labor market and in prices:

(1) As you no doubt know, we face a very unusual age distribution in our work force in the next 15 years. We confront a situation in which the increase each year in the number of men in our labor force between the ages of 25 and 44 is likely to be stationary dispite an increasing total population. We expect a considerable expansion in work

force, mainly among people below that age and among women, especially married women, and among people who might otherwise retire. But in the critical age group of 25 to 44 for many skilled technical and professional jobs, between now and the early 1970's, the outlook is for no increase in the yearly additions to the work force in that age group. This age distribution situation growing out of the decline in population rates of increase during the great depression, is bound to have significant inflationary potentials for skilled workers, for managerial positions, and for professional and technical jobs which must affect the structure and the level of wages generally through these years ahead.

(2) We face a type of technological revolution which places great demands on skilled workers. The demand for high-level skilled people, technicians, and professional groups, is likely so to expand with automation and other technical changes that we may expect in these jobs considerable increases in compensation.

(3) Our community has placed a great deal of emphasis upon labor peace, and labor peace costs something. The higher the value placed on labor the less the inclination of managements to take strikes to keep settlements low and the greater the likelihood of wage inflation.

(4) We live in a society which is determined, quite properly, that full employment and high levels of output are most important. The higher we value full employment, the greater the likelihood of upward pressures upon wages.

(5) We live in a world which has a great demand for American goods. The tin can and the automobile have spread throughout the world, as anyone knows who has been to the remotest corners of the Middle East or Asia and Africa. The great demand for our products, machinery and equipment, military as well as civilian, is bound to create an inflationary context for wages and prices.

(6) We may expect a shortage of certain raw materials of a critical sort, such as iron ore and metals, which may also exert inflationary forces.

(7) Our society is tending to increase its demand for services faster than its demand for many goods--its demand for Government services, entertainment, advertising, research, finance, and education. In these areas increases of productivity are likely to be not as great as in manufacturing industry for increases in productivity are difficult

to measure since they involve quality of services and do not get reflected in the figures. The declining proportion of the output of goods in the total economy and the rise in the proportion of services means that productivity increases may well average less throughout the society.

These, then, are a number of inflationary factors. Against this list must be placed a number of factors operating to keep prices down. Our community is putting more into research; and greater research tends to make for higher productivity, which is likely to permit increases in wage rates and to keep prices lower.

We live in a society that is highly competitive, and competition is always a barrier to inflation.

We may see some new forms of saving, as pension plans and supplementary unemployment benefits and various forms of institutional savings arise to offset inflation.

And, finally, we should be able to learn something about controlling price increases by struggling with the problem of inflation. In our community any problem that we struggle with long enough and seriously enough, we tend to find some way of living with. By struggling and living with the problem of inflation in the next decade or two, we may learn to adapt our institutions so as to keep inflation in more manageable proportions.

However you balance the relative influence of these two groups of forces, my own personal judgment is that we may look forward over this period to a collective bargaining system which, with these other demand conditions, will clearly result in some gradual or creeping inflation.

But how much or what degree of an inflation we have will depend upon the price we are willing to pay for stability. The price of stability depends on a number of choices which confront the community.

One choice is, How much are we willing to pay for greater stability by a higher degree of labor strife? If managements rate peace very high, then we may expect more inflation. If managements are more willing to fight, we may expect to have lesser inflation. But with high profits and high output, we may not expect much resistance to inflation on this account.

How high a price is the community willing to pay for stability in terms of more unemployment? We now have a larger degree of unemployment and are willing to put up with more unemployment than most Western countries. Many of us are alarmed at our willingness to take unemployment instead of production in a world where the rate of production is the key to the next 20 years. Unemployment, however, is a significant factor in keeping down wages and prices. How much more unemployment are we willing to accept in order to keep stability? The community, in my own personal judgment, is paying more in unemployment for stability than it should.

The community decides what are its preferences between income and leisure. The more leisure the community wants, the greater the degree of inflation we may expect.

Our industrial relations system as a whole has certain great strengths. It is decentralized. It permits people close to problems to handle them. Government's role is really one of establishing procedures rather than substantive decisions. Our system puts great pressures on management. One of the great factors tending to make managements more efficient, to push them into ways of expanding output and lowering costs, is the pressure from labor organizations. Our system has the further advantage that labor organizations are dedicated to the main precepts of our system. These, then, are the strengths of our collective bargaining system as it may be expected to operate through the decades ahead.

The final topic in my remarks concern a few issues of mobilization policy, which are raised by our industrial relations system.

In times of international crisis or conflict there clearly must be limitations on strikes. There must be some limitation on inflation. How do we get this? What procedures shall we adopt? To one who has lived happily or unhappily through regulatory agencies in both World War II and as a public member of the Wage Stabilization Board in the Korean War these are not simple questions. But I would like to pose two of them for your reflection.

(1) Can you separate the settlement of industrial disputes from the control over wages?

Some people have advocated one agency to be concerned with wage problems, wage stabilization, and another agency maintaining industrial peace or settling disputes. There are few issues on which I would take a more categorical stand. It seems to me this is an impossibility.

Wages and other rules of the workplace are so closely bound together in practice and in bargaining that it seems to me impossible to separate them. The same agency which deals with wage problems must deal with the full range of labor disputes. Many times you settle a dispute on seniority with a settlement on wages. There is trading in negotiations. Negotiations concern the full range of a contract; there are not separable negotiations about wage questions or cost or money items and other separable negotiations about rules. Because of their intertwined nature, it seems to me that a separation of agencies cannot be made.

This does not mean that we may not have a separate administrator to determine wage standards or wage policy. But in the administration of wage policy it seems to me that all industrial disputes are inevitably intertwined together.

(2) A second classic question that people fight about in Washington when planning about mobilization policy is the issue whether such an agency should be tripartite or not. Shall it be composed of representatives of management and workers, unions, and public representatives, or shall it be simply a normal government body without interest group representation?

Since such an agency ought to deal with disputes as well as with wage controls, there are considerable advantages in making it tripartite, for in the settlement of disputes, managers and union officers have much to contribute. It seems likely that such agencies should be tripartite.

The question is rather critical whether the men on a tripartite board have some independence or not, whether they are simply servants of organized labor and management or whether they exercise a degree of independence. A tripartite board needs men from the parties who have sufficient stature to take positions which may be different from that of the organizations from which they are drawn. The effectiveness of a tripartite board is also very much tied up with severity of the crisis. One of the great problems in the Korean war, it seems to me, typified in the steel seizure problems of 1952, was that the country was not united on the severity of the crisis. The President, the Defense Department, and others who urged the seizure such as the Atomic Energy Commission, were persuaded of the great severity of the international crisis and the necessity to keep production going at all costs. On the other side of the

table you had large segments of the community, certainly the representatives from the steel industry and some union people as well, who were of the view that the crisis really was not that severe. When you have such marked division in the country as to the severity of the international crisis, a tripartite agency has great difficulty in functioning. It works much better under the strain of total conflicts, when there can be no question on this rather central problem.

In our society consent is vital to performance, to production to output; this is the basic reason for a tripartite agency. But I do grant that under some circumstances the issue is debatable.

The principal points which I have tried to convey to you may be stated in the following summary propositions:

We live in a world where the underdeveloped countries are everywhere on the march to industrialization. Each of them tends not only to create an economic system but also an industrial relations system. There is keen competition in the world between types of industrial relations systems, as well as competition over forms of society ideology and culture more generally.

Second, we live in an industrial relations system, developed out of our history, in which great emphasis is placed on decentralization and upon the workplace, and in which our unions are in the business of regulating management at the workplace. They are not ideologically oriented. They are compatible with the main tenets of society.

Third, collective bargaining in the United States is designed to settle disputes, to establish a system of rules at the workplace and to determine wages. The setting of wages in the decade ahead highlights prominently the problem of inflation, at least in a mild form.

Finally, our industrial relations system in times of mobilization raises the question of whether one can separate dispute settlement from wage questions, and whether agencies concerned with mobilization industrial relations problems should be tripartite.

Thank you.

MR. HILL: Gentlemen, Dr. Dunlop has the answers if you have the questions.

QUESTION: Dr. Dunlop, it strikes me that from the standpoint of the professional neutral that you claim to be, there is hardly a more difficult question existing in the world today about which one could remain neutral. Although you are a professional neutral on the face of it, how about inside? Don't you have some strong feelings on the subject?

DR. DUNLOP: Well, that's an interesting question. I don't believe anybody ever asked me that before.

When you handle these matters, it doesn't involve an "L" for labor or an "M" for management. You see so many cases in which some management does foolish things and violates contracts, and you see so many other cases in which unions do foolish things and violate contracts, that it isn't a question of labor or management. It's the particular management and the particular union.

One other range of problems might interest you. I also have decided for a number of years a great many problems between competing unions. And when you get into their operations, you see that they often fight each other with much barer fists than they fight managements.

I have even been called upon to settle fights between associations of employees, which don't love each other and which compete with each other. So I have ceased to have any illusions about the parties.

Unlike many other societies, the American community happily permits a man to retain firm friends on both management and labor side. Many societies are so class-conscious that one must be aligned to one side or the other. I have many friends on both sides.

Then at Harvard we have a program in which we bring to the University advanced management representatives, who also come from the armed services; we have a similar program in which we bring international representatives from unions. And so when a teacher has

known equally well over 15 years a number of management people who are now presidents of companies, and representatives of unions who are top officers of their organizations, it is easier to maintain a personal balance.

QUESTION: Sir, my question concerns size of unions. You referred to the fact that one of the characteristics of our labor movement is the plant relationship of the union. On the other hand, however, we hear each year or every other year or every third year, about industry-wide meetings with the larger corporations in which a wage pattern is fixed that more or less sets our economic groups. It would appear that somewhere in a thing which governs our life, as this does, the Sherman Anti-Trust Act might well have a protection for the normal citizen, in the same way that big business is prevented from growing too large. What are your feelings on this, and do you think there is any possibility of legislation in that field?

DR. DUNLOP: Just one comment on this and all other such matters. I don't recall that I spoke of having any feelings. But I will tell you what I think.

When I spoke of our industrial relations system as being decentralized I was contrasting it or comparing it with the industrial relations arrangements of most other countries. In Sweden, as you know, wages are set by negotiations initially between the L. O., which is the national trade union confederation, and the Federation of Employers. One bargain sets pretty well the wage pattern for the country. In the Netherlands a top council of employers and unions sit with government in which negotiations tend to set the wage policy for the country as a whole.

In contrast, the wage setting arrangements of the United States are much more decentralized. It is true that in some sectors of our society we have what is often called industrywide bargaining. I prefer to call it marketwide bargaining. That may be nationwide if the market is nationwide. It may be localitywide if the market is a locality. The important concept is not whether we have nationwide bargaining, but whether we have marketwide bargaining, which may be local, regional or national in scope.

In a number of industries, as you point out, we have wage leaders. That is, the key negotiations tend to take place with a few leading producers--in steel, rubber, meatpacking,and so on,for example. Then these patterns tend to be extended to the rest of the industry.

Now, this is in part a labor market phenomenon; but it is even more a result of the product market. In the steel industry, for example, it was common for producers to change their wages at the same time before 1936, when the steelworkers union became significant. The character of competition in the steel industry produced that and not the presence of the union. A great deal of the leadership situation grows out of the nature of the market structure and competition within the industry. You cannot have different steel producers paying different wages.

The last facet of your question, as I remember was about antitrust. This, of course, is a big subject.

The question is whether the antitrust mechanism is suitable for the regulation of the activities of unions. For a variety of reasons I would say that it is not; the direct resort to the courts in such a case is not so good. It is much better, if you want to regulate a union, to regulate directly through an administrative agency rather than through the indirect device of applying the antitrust laws. To take the single step of applying the antitrust laws does not solve anything. It does not indicate which aspect of union behavior you want to regulate. Let's talk about specific regulation. Let's put specific legislation on specific points where experience demonstrates a need.

QUESTION: Along with this idea of the political philosophy of labor unions in this country, which you emphasized, I think, more in comparison with Great Britain and other countries, it's true that the labor unions apparently have accepted the political philosophy of the country; but they also, according to the papers at least, seem to be using that political philosophy, naturally, to try to gain things in which they are particularly interested. Apparently they are claiming credit for a great deal of the recent election gains which at least they see as gains. Do you foresee in this situation a trend toward the establishment of maybe not a labor party, but a labor-oriented party control; and, growing out of such control, any major change in emphasis or any major legislation that, at least on the surface, you might say, would be prolabor oriented rather than promanagement oriented?

DR. DUNLOP: I do not see any great interest on the part of our labor movement or its leaders to establish a political party. Our two party political system doesn't lend itself to that. The traditional political philosophy of our labor movement has been for many years expressed in two points: first, to submit a list of the demands in legislative form--we want this, that, and the other thing--originally mine safety, free public education and mechanics' lien laws, and second, in political elections support your friends at the polls and defeat your enemies. That was the program of Mr. Gompers, which has been practiced a long time.

I do not see any fundamental move away, or desire to move away, from that tradition. I do see, however, two or three refinements that are worth mentioning.

I do see a growing specialization of personnel within some of our unions, in terms of lobbying, in terms of connections with the political processes. The most astute political activity on the part of unions, in my judgment, has been among the railway unions. They clearly have the most effective labor lobby in Washington. Why? Because the Government has been involved in regulating railroad conditions for a long time and so, naturally, they became the most astute in this process of electing their friends and knowing how to use the mechanics of government to achieve their objectives.

I would expect developments of that sort to be sharpened. It is clear to anyone in Washington, however, that unions are not the only ones that use this kind of astuteness, as a visit any day to the lobby of the Carlton, Mayflower, or the Statler would demonstrate.

The unions of our country have traditionally been a minority group. That is the underdog posture. Our labor movement is going through growing pains to adapt to a new position of more status in the community. When any movement ceases to be a small minority, and becomes a major facet of the community, it must undergo certain changes; and our labor movement is in the midst of those changes.

One of the most interesting changes is the much greater role which our labor unions are playing in local communities. I am thinking of the community fund, the blood bank, the school board--the whole range of local community activities. A great deal is going on, and I would expect many more activities to develop. On the whole all this is fine because it tends to make the labor union much less a group apart from the community and instead much more an integral part of the community.

On your basic question of whether our labor movement becomes a political party or a political group in the narrow sense, I do not see much interest in this direction.

QUESTION: I was struck by a paragraph I read in one of our texts and I'd like to quote it to you. This is from "The Economics of National Security." It reads: "The Communists believe that economic disaster will eventually strike down any non-Communist system. Hence measures which cause the prospective victims to overstrain their economies are viewed hopefully by communism." And, finally: "Overreaching for a standard of living can be as damaging as overmobilization." Would you discuss this?

DR. DUNLOP: Well, I think on the whole the statement is sound. I suppose you would like me to comment on the last phrase or two about overreaching in terms of living standards and the threat to the community.

The inflation problem, about which I said something earlier, is part of this overreaching process. If rapid rates of inflation arise, the process might dislocate the social balance, dislocate the relative powers among groups in the community and be disruptive and unstabilizing to the whole community. I would deny, however, the view that creeping inflation must necessarily become a run or a gallop. I don't believe that is so.

I think, frankly, that the more serious problem in the American community at the present time is that our rate of capital formation is too low--too low in a competitive sense, to get the amount and type of investment, to get the expansion of output, that our community needs in the international competition. These higher rates of capital formation are necessary not alone to assist in the economic development of the underdeveloped countries but also to develop our own rate of growth.

I think one of the central questions of public policy in our country in the decade ahead is, How do we raise the rate of gross capital formation, say, from 15 percent of gross national product to 20 percent, in contrast with the 30 percent figure of some of the Eastern countries? I think an increase of about 15 percent is imperative. But this is much broader than a labor question. It is a central economic question. Maybe we need a different type of depreciation policy in computing taxes to stimulate the expansion of certain types of capital goods. Maybe we need more centrally directed investment. But whatever policies we use, we clearly need to raise the rate of capital formation in this country.

QUESTION: Doctor, the automotive workers are advocating getting more and more share of the profits. Would you comment on that?

DR. DUNLOP: In some sense you may think that this is a new idea. Actually it is a very old one. It's also an idea that is growing in various countries of the world.

I was telling Mr. Hill earlier that last year I spent a couple of weeks in Yugoslavia, where the workers councils are supposed to constitute the management of a plant. Since January of this year the workers councils have the right in Yugoslavia to expend all profits of the enterprise as they see fit--for capital formation or wage increases or whatnot. So the idea of workers having some share in the profits of an enterprise is really nothing new.

In the case of the auto workers, the idea may be related directly to Reuther personally. I think it would be fair to say that Reuther, more than almost any other of our major labor leaders, is concerned with the question of equity in the community. How much of profits should go to each of three major claimants--to the stockholders, the workers, and the community or consumers? Reuther is seeking--and I am sure we will hear more of this--for some kind of formula to use in the division of profits among these three principal claimants.

I do not believe that this quest has anywhere near the same appeal to other labor leaders, although all labor leaders would say that the sign that an enterprise was well off and making profits is one indication that further wage increases are in order. You cannot very well argue that workers should have their wages raised and admit that the company is unable to pay them. So in a sense this position is often only a reflex of a wage demand.

QUESTION: Dr. Dunlop, in our labor movement more and more unions have taken away the so-called prerogatives of management, or those prerogatives that we once considered to be the sole responsibility of management. What do you consider today to be the prerogatives of management or those techniques of management or elements of management that lie outside of the concern of unions?

DR. DUNLOP: That's an interesting question. I wish you'd carry it through by giving me some examples of what you have in mind.

STUDENT: One, I recall that after World War II there was quite a hassle between unions and management on open-book-type negotiations when they were sitting down at the table.

DR. DUNLOP: Yes. But that didn't affect the outcome of the negotiations very much.

It is now settled policy, as you know, under the Labor Management Relations Act that the company which pleads inability to pay must also open up its financial books. The National Labor Relations Board and the Supreme Court in that case in North Carolina ruled to that effect. But I think the more general question is the significant one.

The dividing line between management's prerogatives and the area of joint bargaining varies enormously among industries, and it reflects the genius of our decentralized collective bargaining system that these lines can be drawn differently in different plants.

For example, in the highly competitive ladies garment industry, the union insisted that the companies write into their contract a clause that requires management to be efficient. The union runs a centralized engineering department which advises garment plants how to improve their efficiency. That's one type of situation.

Then you have the construction industry, where the training of workers takes place in accordance with an apprenticeship system in which the union plays a key role. In some places the training is under joint control, but usually the union examines the man to find out whether he's a "qualified journeyman."

If you were to transfer either of these experiences over into the automobile or the steel industry, magagement would hold up its hands in horror, and rightfully so. The point is that we have a decentralized industrial relations system, and one of the purposes of decentralized collective bargaining is to draw the dividing line between what is exclusively management, what is exclusively union, and what is in the common area of negotiations differently in various relationships.

In the course of World War II, on account of the tightness of the labor market and preoccupation with production, many managements permitted practices to be established that were inimical to their long-run cost position. There were many incentive systems, for example, which got out of line. Seniority systems were another area in which

expensive practices developed. There was a great deal of usurpation of what was sensible management.

It seems to me the problem of management prerogatives is not a general problem in this country. It is a specific one in specific managements which have been a little bit lax about change. But where management has stood up to the problem, there has not been a serious problem.

QUESTION: Doctor, you have said that the objectives of unions in various countries are different. I believe that we can generally say that the objective is the welfare of the worker. However, the unions, while they allege that they are interested in the worker, seem to feel that unless a worker is a member of the union, he is not entitled to any benefits. In view of that, and in view of some of the records that have been publicized recently as to the attitude of the union leaders, what would you like to say concerning the present right-to-work law proposition?

DR. DUNLOP: Let me first comment on some of the premises of your question. The law of the land now requires--and I am referring not so much to statutes as to decisions of the Supreme Court--that a union, in order to enjoy the rights of certification, must represent fairly, and without hostile discrimination, all the people in the bargaining unit whether they are members of the union or not. For example, it would be illegal for a union to negotiate wage increases for everybody except nonunion employees. It would be illegal for the union to refuse to admit to a union Negroes or others in the bargaining unit who are qualified to do the work. In other words, the pertinent statutes, but largely the Supreme Court decisions, have made it clear that the union must represent all the workers for whom it has been certified without discrimination. It cannot refuse to process a grievance. It cannot charge a nonunion member for processing his grievances.

Under the Taft-Hartley legislation the union shop is really only a dues shop. All the union can require of any man is the payment of periodic dues and assessments, to use the language of the statute. It cannot require anything more than that. After 30 days, as you know, under the maximum union security clause permitted by the law, the man may have to join the union; but all that means is that he must pay his dues and periodic assessments. He cannot be discharged for any other reason.

If, for example, the union sought to expel a man from the union for failure to pay a fine growing out of violation of union rules, it may expel

him from the union, but it may not have him discharged for that reason. And the union, as I am sure others have pointed out to you, cannot expel a man from a union for being a Communist and then go to the boss and ask that he be kicked out of his job because he is a Communist. That violates the law.

I suppose you want me to take a position on right-to-work legislation, and I will. I do not know a senior person in industrial relations teaching in the country, and neither do I know an arbitrator, who favors the right-to-work legislation. Most all of us regard it as a phony in the sense that right-to-work legislation in most places is really a type of political movement of the middle class in smaller communities and rural areas. The right-to-work movement is a quasi-political movement; it does not arise from any careful understanding of industrial relations in large-scale industry.

People who have to deal with workers in large plants know that various ways are going to be found, various forms of social pressure arise, to secure conformance with the rules of membership in a union. It is proper for the community to be concerned with the power of a union to refuse to admit a man, the power of a union to expel a man, and the grounds for which he may be expelled or disciplined. These are proper subjects for regulation. But right-to-work laws, which are misnamed, deny the right of a management and a union to enter into an agreement providing that all workers who share the benefits of negotiated agreements and contract administration shall pay a share of the costs.

One final comment: Most of the statutes that have been passed consist of declarations of state legislatures. They are not in fact in force. There is little machinery to enforce most of them. Now and then a case comes up and somebody may go to the attorney general and courts. But, even in states where right-to-work legislation exists, one can say that little attention is paid to enforcing the law. In Indiana the steelworkers behave as before. The construction unions of the country operate as they always have over the last 30 years in right-to-work states. It really has made little practical difference for strong unions. It is more a political matter than it is an industrial relations matter.

MR. HILL: Dr. Dunlop, thank you very much on behalf of the College as a whole and of the members individually for a most enlightening and frank talk, in which you have taken positions at various times when asked to do so. I must remind you that there will be a delegation

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of the congregation awaiting us for lunch; and, no matter what's on the menu, we're going to have labor relations as a side dish. Thank you very much.

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