

**Studies and Documents**

**READAPTATION  
AND RE-EMPLOYMENT  
OF WORKERS**

**REPORT**

on the visit to the United States  
by a team of trade-union representatives  
from the Community

with a foreword  
by M. Paul C. E. FINET  
Member of the High Authority

**European Coal and Steel Community**



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## FOREWORD

This visit by a team of Community trade-union representatives to the United States was a new departure, and it certainly remained a new departure from start to finish. The team was unusual as regards its composition, for this was the first time that Europeans from the six countries of the Community had set out, as such, on a joint fact-finding mission outside the Community; it was noteworthy as regards its purpose, for this was the first time attention had been devoted specifically to readaptation measures in the United States. It now submits its findings, which go well beyond the expectations of those who organized this tour.

It was somewhat chancy to hope that workers from such widely-varying backgrounds, not speaking the same language, concerned with different problems, would form a homogenous team and arrive in such a short space of time at a common view and common conclusions.

In their own countries, they have to grapple every day with very different problems, and used frequently to be at odds with one another as regards the action to be taken, since they were — understandably — anxious to do their best for the immediate interests of the people they had been chosen to represent.

But when it came to the point, the trade-unionists in the team very quickly found themselves in full agreement on the particular problem they had been assembled to study. What is more, they now submit a factual report which should definitely be considered an important document in connection with the launching of a Community such as that defined by the Treaty establishing the European Coal and Steel Community.

What facts did they note in the course of their tour of the United States, and what do they seek to bring home to us now, to make us realize, above all to make us acknowledge?

They show us clearly that in the present stage of economic development and under the present political systems governing our countries, complete solidarity is absolutely vital, — solidarity in the enterprise, in the area, in the country, in the Community —. Not one of the members of the team could possibly hope today to turn part of the common good to what he imagined to be his particular advantage, without instantly causing grave harm to the interests of the whole, and ultimately damaging his own.

On the contrary, it is essential, for the benefit of all concerned, that those who have legged behind should be helped by those who are more advanced

and pulled up to the same level, if their weakness is not very quickly to prove injurious all round.

Furthermore, in a society as deeply impregnated with liberalism as the American, the public realizes this, and hence finds it quite natural to allow, and indeed to urge, the Federal authorities to view matters in the proper perspective, and recommend, encourage and, if necessary, actually take the action required.

This is an essential preliminary conclusion. It fits perfectly with the High Authority's function in our first European Community.

It follows inevitably that, once we accept this view, the full employment of labour must go hand in hand with the full utilization of technical possibilities, if we are to achieve what the Rapporteurs have felicitously termed "high productivity". The one is, indeed, the corollary of the other, and only between them can they establish and sustain such an economy, the basis of which is an active demand arising from a high consumer purchasing power, that is to say, in the long run, from a higher standard of living for every man, woman and child in the Community.

This is a second conclusion just as fundamental as the first. It demands of the members of the Community, and of the High Authority itself, an attitude, a frame of mind and a policy which must find effective expression in the firm establishment of the Community, if this Community is to achieve the objectives it has set itself.

Finally, for this allround prosperity to be achieved and maintained, it is necessary that the trade unions should be organized to scale — to the scale of the Common Market as a geographical entity, to the scale of the facts of their common economic position. In short, they must organize themselves on the level of the forces represented in the great joint venture.

It would indeed be sadly inconsistent if those who carried out this mission, and who now submit the informative and pertinent conclusions given in the following pages, were to derive less practical instruction from their findings than their hosts appear already to have done, and than the Community as a whole will, I am convinced, do in regard to the task it is obliged by its establishing charter to carry out for the improvement of conditions for everyone in the six countries.

Paul FINET,

*Member of the High Authority*

## CONTENTS

INTRODUCTION .....	13
I. E. C. S. C. No. 1 .....	13
— Members of the Team .....	14
— Itinerary .....	15
II. Purpose of the visit .....	19
— Terms of reference .....	19
— The purpose of the visit .....	23
III. Report on the visit .....	23
— Organization .....	23
— Outline of the Report .....	26

### *PART ONE*

#### **Remedial action or special re-employment measures**

<i>Chapter I</i> — UNEMPLOYMENT IN THE UNITED STATES .....	28
Section 1 — <i>The development of unemployment in the country as a whole</i> .....	28
Population and labour force .....	28
Unemployed persons by duration of unemployment ...	30
The localization of the unemployment .....	31

Section 2 — <i>Development of unemployment by sectors</i> .....	32
Development in the various sectors .....	32
Developments in Coal and Steel .....	34
Iron and steel industry .....	35
Coalmining industry .....	37
Chapter II — FORMS AND METHODS OF ASSISTANCE PROVIDED FOR THE WORKERS .....	40
Section 1 — <i>Forms and methods of direct assistance to workers</i> ...	40
Assistance by authorities and local communities .....	40
Unemployment benefit .....	40
Employment Bureaux .....	42
Supplementary relief .....	43
Assistance provided by employers .....	43
Contractual guarantees .....	43
Assistance by companies .....	44
Section 2 — <i>Forms and methods of indirect assistance to workers</i>	45
Assistance from the authorities and local communities	45
Assistance from the authorities .....	45
Assistance from local communities .....	45
Action by enterprises .....	46
Chapter III — THE EFFECTIVENESS OF ASSISTANCE TO THE LABOUR FORCE .....	48
Section 1 — <i>Are the measures introduced duly fulfilling their object?</i>	48
Theoretically valuable measures .....	48
The conclusions of experience .....	49
Section 2 — <i>What improvements can be made in remedial action as now existing?</i> .....	57
Reasons for disquieting situation .....	57
Minimum program put forward by C. I. O. ....	60

A central authority .....	60
Technical assistance .....	61
Public works .....	61
Loans for private investments .....	61
Tax reliefs .....	61
Orders .....	61
Vocational training and transportation .....	62
Unemployment benefit .....	62
Retirement .....	62

## PART TWO

### Preventive full employment policy and readjustment

<i>Chapter I</i> — COMPONENT ELEMENTS OF THE FULL EMPLOYMENT POLICY IN THE UNITED STATES .....	64
Section 1 — <i>Demand, the mainspring of the system</i> .....	64
Analysis of the system .....	65
The requirements of the system .....	66
Section 2 — <i>Adaptation of the components of the system to the         requirements of the demand principle</i> .....	68
Competition .....	70
Wages .....	71
Enterprises .....	72
Unions .....	72
The authorities .....	78
Technical progress .....	79
Technical research .....	79
Management of the enterprise .....	80
<i>Chapter II</i> — THE ROLE OF READAPTATION IN THE FULL EMPLOYMENT POLICY .....	81
Section 1 — <i>Readaptation against routine</i> .....	81
A new factor, less mobility of labour .....	82
Attachment to enterprises .....	83
Attachment to area .....	84
Increased need for security .....	85
Overall arrangements a first step toward security .....	85
There must be individual security, too .....	85

Section 2 — <i>Readaptation under full employment</i> .....	87
The contribution of a readaptation policy to a full employment policy .....	87
The readaptation policy as a complement to the full employment policy .....	87
A readaptation policy makes a consistent full employment policy .....	88
The contribution of the demand system to the read- aptation policy .....	90
“Yardsticks” of effective full employment .....	90
Tested model solutions .....	92
 CONCLUSIONS .....	 95
Section 1 — <i>Basic lessons of American experience</i> .....	95
Relation between readaptation and full employment .....	95
The principle underlying the solution of readaptation and full employment problems .....	95
Conditions for dealing with readaptation and full employment problems .....	97
The large market .....	98
Section 2 — <i>Readaptation and full employment in Europe in the         light of American experience</i> .....	99
The common market for coal and steel and the “Large Market” .....	99
The common market for coal and steel, full employment and readaptation .....	100
The organization of readaptation in the Community ...	102

## ANNEXES

I — Unemployment Insurance under State Laws, August 1954 .....	106
II — Specimen Provisions on Seniority and Severance Allowances, as found in Collective Bargaining Agreements in the Iron and Steel Industry .....	108
III — Standard Industrial Survey Summary Report .....	114
IV — Wages and General Conditions of Employment in the United States (1954) .....	119
V — Vocational Training in the United States — General Summary	122
VI — What is the Federal Housing Association (FHA)? .....	131
VII — Resolution on Guaranteed Annual Wages .....	139
VIII — Annual Guarantee and Severance Provisions .....	142
IX — Annual Guarantee and Severance Provisions .....	145





## INTRODUCTION

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### I. — «E. C. S. C. No. 1»

Our United States tour of November 18—December 15, 1954, differs in a number of respects from the many missions previously organized under the U. S. Government's technical assistance program by the Foreign Operations administration (F. O. A.).

It was a new departure as regards both its organization, its purpose and the people who took part in it.

*It was new as to its actual organization:* this was the first mission sent to the United States by the High Authority of the European Coal and Steel Community. It was thus commonly known as "E.C.S.C. No. 1"

*It was new as to its purpose:* its instructions were to study problems concerning the readaptation and re-employment of workers in the United States and the measures adopted to deal with them. Although problems of this nature exist in most if not all the countries of Europe, they have hardly ever been tackled systematically. The Treaty establishing the European Coal and Steel Community, and the Convention containing the Transitional Provisions which covers the first few years of the Common Market, are the first instruments to lay down the scope and details of future systematic action in respect of these problems. And it was specifically with this new type of approach in mind that the team carried out its survey in the United States.

*It was new as to the personal side:* this was the first fact-finding mission to the United States to consist wholly of trade-union representatives from the six countries of the Community.

Thus for the first time representatives of the trade unions in the six countries of the European Coal and Steel Community were enabled to study the American approach to a common problem to which a common solution is, for the first time, being proposed in Europe.

This Report contains the observations and comments of the team as a whole.

**Members of the Team**

The team consisted of MM.

Harm Buiters	Netherlands	Team leader Algemene Nederlandse Metaalbedrijfsbond	I.C.F.T.U.
René Petre	Belgium	Deputy team leader, Centrale Syndicale France-Mineurs	I.C.Chr.T.U.
Jean Bornard	France	Fédération Syndicats Chrétiens, Mineurs	I.C.Chr.T.U.
Joseph Brusson	Belgium	Centrale des Métallurgistes	I.C.F.T.U.
Vital Decot	Belgium	Centrale Syndicale des Travailleurs des Mines	I.C.F.T.U.
J. B. Demolder	Belgium	Centrale des Métallurgistes	I.C.F.T.U.
Jacob Goebbels	Netherlands	Nederlandse Katholieke Mijnwerkersbond	I.C.Chr.T.U.
Robert Gregoire	France	Fédération Nationale, F. O. des Mineurs, Miniers et Similaires	I.C.F.T.U.
Ernst Hardung	Germany	I. G. Metall	I.C.F.T.U.
Mathias Krompholtz	France	Force Ouvrière Métallurgistes	I.C.F.T.U.
Gerardus Langendijk	Netherlands	Organisation Chrétienne Métallurgiste	I.C.Chr.T.U.
Secondo Perone	Italy	Unione Italiana Lavoratori Metallurgici	I.C.F.T.U.
René Reynier	France	Fédération Nationale, F. O. des Mineurs, Miniers et Similaires	I.C.F.T.U.
Nestor Rombeaut	France	Fédération Syndicats Métallurgie C.F.T.C.	I.C.Chr.T.U.
Paolo Sala	Italy	Federazione Italiana Metalmeccanici	I.C.F.T.U.
Leo Schnippert	Germany	I. G. Bergbau	I.C.F.T.U.
Oskar Wachtel	Germany	I. G. Bergbau	I.C.F.T.U.
Heinrich Walbruch	Germany	I. G. Bergbau	I.C.F.T.U.
Emil Weis	Germany	I. G. Metall	I.C.F.T.U.

Miles Franca Arno, Andrée Dowdall and Anneliese Weigel, of the High Authority, were official interpreters to the team.

M. Jacques Cros, of the High Authority's General Economic Affairs Division, acted as Secretary.

MM. Charles Baré, of the General Economic Affairs Division, and Enrico Breschi, of the Information Service, were seconded by the High Authority to assist the team.

### Itinerary

The team was in the United States from November 18 to December 15, 1954.

During this period, it subdivided into two groups, the Steel Group under M. Buitter, the team leader, and the Coal Group under M. Petre. In actual fact, however, the two groups separated only on a few occasions.

*The Steel Group* visited the following enterprises:

Baltimore (Maryland), the Bethlehem Steel Company, Sparrows Point, through the courtesy of Mr. R. F. Willey, Washington Representative;

Pittsburgh (Pennsylvania), the Pittsburgh Steel Company, through the courtesy of Mr. Garrett A. Connors, Vice-President of Industrial Relations, and Mr. P. E. Sance, Vice-President of Operations;

St. Louis (Missouri), the Granite City Steel Company, through the courtesy of Mr. John R. Hundley, Director, Industrial Relations and Personnel;

Los Angeles (California), the Kaiser Steel Company, through the courtesy of Mr. W. H. Seineke, Public Relations Department;

San Francisco (California), the Columbia Steel Company in Pittsburgh, California, through the courtesy of Mr. L. S. Dahl, Vice-President;

At Annapolis (Maryland), the group was addressed by

Mr. Elmer J. Maloy, Director, Wage Division, United Steelworkers of America and

Mr. William A. Jacko, Member of the Inequity Committee, United Steelworkers of America

on "Job Evaluation in the Steel Industry"

and "Wage and Incentives in the Steel Industry";

Mr. Frank Pollara, Research Department, United Steelworkers of America on "Present Economic Conditions in the Steel Industry",

Mr. Henry J. Bender, Associate Counsel, District 7, United Steelworkers of America,  
on "Collective Bargaining in the Steel Industry".

At Washington (D. C.) the Steel Group visited

the United States Department of Labor;  
the Congress of Industrial Organization, where it was received by Mr. V. Reuther, Mr. Harry Pollak and Mr. Nat Goldfinger;  
the American Federation of Labor, where it was received by Mr. Georges Meany, President, and Mr. Georges Delanoy, International Representative;  
the United States Department of Health, Education and Welfare, for discussions on Social Security Programs;  
the Reconstruction Finance Corporation;  
the Small Business Administration;  
the Housing and Home Finance Agency.

At Pittsburgh (Pennsylvania), the group was received at the headquarters of the United Steelworkers of America, where it attended various meetings and lectures arranged by Mr. Thomas Murray.

At Los Angeles (California), the Steel and Coal Groups together attended the International Convention of the Congress of Industrial Organizations (C.I.O.).

*The Coal Group* visited the following enterprises:

Pittsburgh (Pennsylvania), the Mathias Mine, Smith Strip Mine, Champion No. 1, through the courtesy of Mr. John Busarelle, President, District 5, United Mine Workers of America;  
the Mine Safety Appliance Company.

Bellaire (Ohio), the Georgetown No. 12 Strip Mine, Hannah Coal Company;

the Hannah Coal Company Preparation Plant, through the courtesy of Mr. Adolph Pacifico, President, District 6, United Mine Workers, and Mr. James Ault, Director of Industrial Relations, Hannah Coal Company.

Springfield (Illinois), the Peabody No. 20 Slope Mine, Peabody Coal Company, and a block of low-rental housing units, through the courtesy of Mr. Hugh White, President, District 12, United Mine Workers of America.

Price (Utah), the Kaiser Deep Mine, Kaiser Mining Company, Kaiser owned Miners' Housing Development, through the courtesy of Mr. John Pepperakis, Manager of Operations at the mine, and Mr. J. E. Brinley, President, District 22, United Mine Workers of America.

At San Francisco (California) the Coal and Steel Groups together visited the Columbia Steel Company in Pittsburgh, California.

At Annapolis (Maryland), the group was addressed by:

Mr. Paul K. Reed, Special International Representative, United Mine Workers of America

on "The Work of the United Mine Workers of America and its Attitude toward Technological Changes";

Dr. William Gomberg, Director, Management Engineering Division, International Ladies' Garment Workers Union (A. F. L.),

on "The Social Aspects of the Modernization and Rationalization of Industries und the Incidence on Labor of the Increase of Productivity and Technical Progress";

Mr. Stanley Ruttenberg, Director, Research and Education Department, Congress of Industrial Organizations,

on "American Economy and the Impact of the American Labor Movement."

At Washington (D. C.), the Coal Group visited:

— the United States Department of the Interior, Bureau of Mines, for discussions on Health and Safety Legislation in the mining industry;

the National Coal Association, where it was received by the departmental officials of the Association, led by Mr. Tom Pickett, Executive Vice-President;

the United Mine Workers of America Headquarters, to meet Mr. John L. Lewis, President, United Mine Workers of America;

the United States Department of Health, Education and Welfare, for discussions on Social Security Problems;

the Reconstruction Finance Corporation, and

the Small Business Administration, for discussions on programs for reconstruction, reconversion and assistance for the establishment of enterprises;

the Housing and Home Finance Agency, for discussions on home financing and construction.

At Los Angeles (California), the Coal and Steel groups together attended the International Convention of the Congress of Industrial Organizations (C.I.O.).

The team would like to express its great gratitude to the Foreign Operations Administration, which had arranged an exceptionally comprehensive program, enabling it, in particular, to attend the International Convention of the C. I. O. in Los Angeles, and to the High Authority of the European Coal and Steel Community, which was responsible for the tour in the first place.

The Team would also like to thank most warmly all those who had to do with the organizing of its itinerary and were so consistently helpful in assisting it in its work.

Its thanks go especially to Mr. Brown, Chief, T. A. Section Productivity and Technical Assistance Division; Mr. Scherback, Labor Division, F. O. A.; Mr. Danilowicz and Mr. Miller, members of the staff of the U. S. Representative to the High Authority of the European Coal and Steel Community, who were responsible for arrangements at the European end; Mr. Raymond Delan and Mr. Edward Lonergan, Project Coordinators; Mr. Thomas Holleran, Chief, Technical Assistance Service Branch, Office of Labor Affairs, F. A. O. and Mr. Alex Kellenbenz, Office of Labor Affairs, F. A. O., Project Managers; Mr. Charles Kunz and Mr. William Murphy, Team Managers; Miss Ann Hollingsworth, Mr. Isaac Salto and Mr. Hans Werner, whose services as interpreters were kindly placed at the Team's disposal by F. O. A.; Mr. Jan N. Trenite, provided as interpreter by the Netherlands Embassy in Washington; Miss Franca Arno, Miss Andrée Dowdall and Miss Anneliese Weigel, of the High Authority, who served as interpreters throughout the tour.

The Team much regrets its inability to thank by name all those who gave it such a friendly reception. It would, however, mention in particular how honored and delighted all its members were to meet Mr. John L. Lewis, President of the United Mine Workers of America, Mr. George Meany, President of the American Federation of Labor, and Mr. Walter Reuther, President of the Congress of Industrial Organizations, and to be given such a cordial reception by the Congress of Industrial Organizations at its International Convention in Los Angeles.

A special word of thanks, finally, to Mr. Meyer-Bernstein, International Representative of the United Steelworkers of America (C. I. O.), who gave such invaluable assistance in the preparation of the Team's work, during the actual tour itself, and in the assembling of the additional material needed for this Report.

## II. — PURPOSE OF THE VISIT

### Terms of reference

So far as the European Coal and Steel Community is concerned, the problems involved by the readaptation and re-employment of labour in the coalmining and iron and steel industries are covered by Article 56 of the Treaty establishing the Community and by Section 23 of the Convention containing the Transitional Provisions, to be read in conjunction with Articles 2, 3, 4 and 5 of the Treaty.

#### *Article 56 of the Treaty*

If the introduction of technical processes or new equipment, within the framework of the general objectives laid down by the High Authority, should lead to an exceptionally large reduction in labour requirements in the coal or steel industries, making it especially difficult in one or more areas to re-employ the workers discharged, the High Authority, on the request of the interested governments:

- a) shall consult the Consultative Committee;
- b) may facilitate, in accordance with the methods provided for in Article 54, the financing of such programmes as it may approve for the creation, either in the industries subject to its jurisdiction or, with the agreement of the Council, in any other industry, of new and economically sound activities capable of assuring productive employment to the workers thus discharged;
- c) shall grant non-repayable assistance as a contribution to:
  - the payment of compensation to tide the workers over until they can obtain new employment;
  - the granting of re-settlement allowances to the workers;
  - the financing of technical retraining for workers who are led to change their employment.

The High Authority shall make the granting of non-repayable assistance conditional upon the payment by the interested State of a special contribution at least equal to the amount of such assistance, unless an exception is authorized by a two-thirds majority of the Council.

#### *Section 23 of the Convention*

1. If the consequences of the introduction of the common market oblige certain enterprises or parts of enterprises to cease or to change their activities during the transition period defined in Section 1 of the present Convention, the High Authority, at the request of the governments concerned and under the conditions specified below, must help to protect the workers from the burden of readaptation and assure them productive employment, and may grant non-repayable assistance to certain enterprises.

2. At the request of the governments concerned and under the conditions defined in Article 46, the High Authority shall participate in a study of the possibilities of re-employing the unemployed workers either in existing enterprises or by creating new activities.

3. According to the procedure laid down in Article 54, the High Authority shall assist the financing of approved programmes submitted by the governments concerned for the re-adaptation of enterprises or for the creation, either in the industries subject to its jurisdiction or (with the agreement of the Council) in any other industry, of new, economically sound activities capable of assuring productive employment to the workers thus discharged. Subject to the agreement of the government concerned, the High Authority shall give preference in granting such facilities to the programmes submitted by enterprises which have been obliged to cease their activities on account of the introduction of the common market.

4. The High Authority shall grant non-repayable assistance for the following purposes:

- a) to contribute, in case of the complete or partial closing of enterprises, to the payment of compensation to tide the workers over until they can obtain new employment;
- b) to contribute, by means of grants to the enterprises, to assuring the payment of their personnel in case of temporary unemployment made necessary by the change in their activities;
- c) to contribute to the payment of re-settlement allowances to the workers;
- d) to contribute to the financing of technical retraining for workers who are led to change their employment.

5. The High Authority may also grant non-repayable assistance to enterprises obliged to cease their activities on account of the introduction of the common market, provided that the sole and direct cause of this situation is the limitation of the single market to the coal and steel industries, and provided that this situation leads to a relative increase of production in other enterprises of the Community. Such assistance shall be limited to the amount necessary to enable the enterprises to meet payments which are due immediately.

Any request for such assistance must be submitted by the enterprise concerned through the intermediary of its respective government. The High Authority shall have the right to refuse assistance to any enterprise which has failed to inform its government and the High Authority of the development of a situation which might lead it to cease or change its activities.

6. The High Authority shall make the grant of non-repayable assistance under the terms of paragraphs 4 and 5 above subject to the payment by the State concerned of a special contribution at least equal to the amount of such assistance, except where otherwise provided by a decision of the Council acting by a two-thirds majority.

7. The methods of financing laid down for the application of Article 56 apply to the present section.



8. Interested parties may benefit from the provisions of this section during the two years after the end of the transition period if the High Authority so decides and the Council agrees.

#### *Article 2 of the Treaty*

The mission of the European Coal and Steel Community is to contribute to the expansion of the economy, the development of employment and the improvement of the standard of living in the participating countries through the creation, in harmony with the general economy of the member States, of a common market as defined in Article 4.

The Community must progressively establish conditions which will in themselves assure the most rational distribution of production at the highest possible level of productivity, while safeguarding the continuity of employment and avoiding the creation of fundamental and persistent disturbances in the economies of the member States.

#### *Article 3 of the Treaty*

Within the framework of their respective powers and responsibilities and in the common interest, the institutions of the Community shall:

.....

- e) promote the improvement of the living and working conditions of the labour force in each of the industries under its jurisdiction so as to harmonize those conditions in an upward direction;

.....

#### *Article 4 of the Treaty*

The following are recognized to be incompatible with the common market for coal and steel, and are, therefore, abolished and prohibited within the Community in the manner set forth in this Treaty:

.....

- c) subsidies or state assistance, or special charges imposed by the state, in any form whatsoever;

.....

#### *Article 5 of the Treaty*

The Community shall accomplish its mission, under the conditions provided for in this Treaty, with limited intervention.

To this end, the Community shall

... place financial means at the disposal of enterprises for their investments and participate in the expenses of readaptation;

.....

*These provisions* in the Treaty and the Convention, relating firstly to readaptation necessitated by technical progress (*Article 56 of the*

*Treaty*), and secondly to readaptation necessitated by the introduction of the Common Market (*Section 23 of the Convention*), read in conjunction with the provisions in Articles 2, 3, 4, and 5 of the Treaty, are something entirely new in European legislation. By their very existence, they contribute in no small measure to the work of reconciling the two imperative necessities — economic progress and full employment.

Their purpose is to ensure that the labour force shall not bear the brunt of the readjustments which have, of necessity, to be made in the economies of the six countries to obtain a better utilization of the production factors, and, consequently, a higher standard of living.

Hitherto, although it was realized, both from experience and in the light of modern economic opinion, that the competitive market in free operation could not ensure the full utilization of the production factors, no systematic policy had been worked out to bring about full and rational employment. Generally, if not invariably, full employment was very inadequately guaranteed — if indeed any thought was given to the matter at all — by empirical policies not genuinely concerned with economic progress. Attempts were made to keep up the level of employment by means of protective measures, subsidies and discriminatory practices in favour of enterprises which were or would probably be getting into difficulties as a result of the state of the market. The result was bad in two ways. Firstly, employment was in fact rarely maintained at an adequate level: either the enterprises did lay off workers in spite of the assistance they were receiving, or the shifts were reduced, sometimes very considerably. Secondly, assistance to enterprises, whether direct or indirect, kept some firms going which were not in fact economically justified, and whose production forces could have been more usefully employed elsewhere.

In its endeavour to reconcile the rational development of the system of market economy adopted with the requirements of the full employment policy, the Treaty bases itself on two very definite principles.

a) In accordance with the rational organization of the market brought about by the prohibition of discriminatory practices and protective measures of all kinds, the changes in production methods must be introduced in such a way as to ensure that production will be at the highest level of productivity in the general interest.

b) At the same time, since it is in the general interest that this redistribution of production factors should be encouraged and not impede, the Community as a whole is helping to see that the change is duly brought about. Full employment must be ensured in accordance with the dictates of the market, but with the assistance of the Community under the direction of the common institutions and, more particularly, of the High Authority.

Thus efforts are being made to get the old empirical, restrictive full employment policy discarded in favour of a rational and progressive one.

Such is the object of the new and fundamental contribution made by the Treaty establishing the European Coal and Steel Community.

### **The purpose of the visit**

The value of studying these same problems as found in the United States, and the measures adopted to deal with them there, was therefore primarily in connection with these two general questions:

a) in regard to Section 23 of the Convention (consequences of a large Common Market), *how, in a market of 160m. consumers, are the public authorities, the employers and the trade unions organized to deal with the problems arising in connection with the readaptation and re-employment of labour?*

b) in regard to Article 56 of the Treaty (consequences of technical progress), *how, in a country where technical progress is quickly taken up by the enterprises, have the workers been protected from the burden which such swift introduction of technical changes can involve for them?*

Have the same methods been used? If so, to what extent have they been successful? If not, why not, and what other measures have been employed?

## **III. — REPORT ON THE VISIT**

### **Organization**

A survey of this kind is of course, especially wide in range. It is more than likely to bring in both national and local government policy, the whole economic and social attitude of the enterprises, and the organization and outlook of the trade unions; it is equally likely to touch on both the entire American economic and social system and the mentality of the American people.

Such a far-reaching study was naturally bound to be to some extent incomplete, but in order that it should nevertheless fulfill its object, specialized groups were set up within the Team itself. The central concern and focus of all these groups was the series of problems raised by adaptation and re-employment of labour, but each individual group was to deal more specifically with one particular problem within that perspective.

In each group two rapporteurs were appointed, one for the coalmining industry and one for the iron and steel industry. Each pair of rapporteurs was to report to the Team on the problem assigned to them.

The groups were formed as follows:

- (1) *Trade-union organization in the United States*  
MM. Rombeaut, rapporteur on iron and steel  
Reynier, rapporteur on coal  
Langendijk, iron and steel  
Walbruch, coal
- (2) *Wages and terms of employment*  
MM. Hardung, rapporteur on iron and steel  
Decot, rapporteur on coal  
Brusson, iron and steel  
Goebbels, coal  
Wachtel, coal
- (3) *Vocational training*  
MM. Brusson, rapporteur on iron and steel  
Petre, rapporteur on coal  
Krompholtz, iron and steel  
Weis, iron and steel
- (4) *Expansion and industrial development*  
MM. Bornhard, rapporteur on coal  
Buitier, rapporteur on iron and steel  
Brusson, iron and steel  
Langendijk, iron and steel  
Weis, iron and steel
- (5) *Workers' housing*  
MM. Gregoire, rapporteur on coal  
Perone, rapporteur on iron and steel  
Goebbels, coal  
Sala, iron and steel
- (6) *Employment and readaptation*  
MM. Bornard, rapporteur on coal  
Sala, rapporteur on iron and steel  
Brusson, iron and steel  
Demolder, iron and steel
- (7) *Social security*  
MM. Krompholtz, rapporteur on iron and steel  
Goebbels, rapporteur on coal  
Langendijk, iron and steel  
Walbruch, coal
- (8) *Steel market/coal market*  
MM. Weis, rapporteur on iron and steel  
Petre, rapporteur on coal  
Schnippert, coal

This kind of organization proved particularly valuable.

The idea had been mainly to ensure that the tour was systematically prepared, that the Team was properly proportioned, and that each participant was able to make a direct contribution to the final Report.

As it turned out, the value of the arrangement became more and more evident as the tour continued.

First of all, though it is true that the details of the measures adopted to deal with readaption and re-employment of labour — and also the general conditions in which such measures may be introduced — are likely to vary according to whether it is the coalmining or the iron and steel industry that is concerned, the main problem remains the same: thus when the Team occasionally split into two groups, one for coal and one for steel, in the course of the tour, they both always retained the same main concern and the same perspective.

Secondly, and more particularly, the Team found, as soon as it arrived in the United States and more or less throughout its tour, that it had some difficulty in getting the various people with whom it discussed matters to understand its interest in certain special aspects of the problem. We have only to recall, for instance, that when it visited Pittsburgh, Pa., the Team was not taken on to Ellwood City, some forty miles north-west of Pittsburgh, where a typical conflict is going on between technical progress and the future of the workers. Thanks to the preliminary studies carried on while the Team was in process of organization, and the clear understanding of the problem it had thus acquired, the members had worked out the main elements enabling them to carry out the survey they had undertaken.

“When an enterprise is subjected to reconversion, or cuts down its activities, or goes out of business altogether, as a result of new technical processes, or more generally speaking for any other reason, what becomes of the redundant labour? Are there any organizations, either government or private, whose job it is to find these workers new employment, or to enable them to wait until they get it?”

These fundamental questions practically never got a full answer from any one person. And the first reaction was, more often than not, surprise and uneasiness at the idea of a system of “taking discharged workers by the hand and leading them to new jobs.”

This reaction, which was equally noticeable with employers' representatives, government representatives and trade-union representatives, was matched by the difficulty which the Team encountered in focusing discussion on the special problem of readaption and re-employment of labour.

The various special measures adopted with this end in view were only mentioned and described in answer to detailed questions. Obviously,

it was only as the inquiry proceeded that it became possible to ask more detailed questions, and consequently receive more detailed answers. This fact was responsible for the painstaking work which went into the answer, and demonstrated the value of the way in which the Team had been organized.

On the other hand — and this was also of the greatest benefit to the Team — all its informants in their replies dealt of their own accord with the measures taken in connection with the general problem of employment. This attitude was most enlightening. It threw into sharp relief the spirit in which endeavours are being made in the United States to solve the problem: the accent is very strongly on general measures to ensure full employment, whereas special measures are regarded as supplementary, if not merely palliative. This attitude was carefully borne in mind throughout our inquiry, and we shall continue to bear it in mind in the course of this Report.

#### **Outline of the Report**

The special object of this Report is to show what is being done in the United States to see that the labour force does not have to bear the burden of the technical and economic changes which the enterprises are having to carry out.

First of all, therefore, we shall be dealing with the special measures taken in the United States where the problem does exist — that is, where the labour force is in fact faced with the prospect of bearing, or indeed is already having to bear, the burdens entailed by the enterprises' technical and economic reconversion programs. The first aspect to be studied is thus that of remedial action. This will be dealt with in Part One.

But the problem goes beyond mere special measures. Clearly, a systematic full employment policy helps to ensure that the problems of readaptation and re-employment do not arise at all. The stress laid by our informants on this feature of the American system served to emphasize its value. We are not, however, concerned to study this full employment policy in its general aspects. What we are seeking to ascertain is not its usefulness in general, but *the exact manner and degree in which it is helping to solve or prevent the problem, and the way in which it can help to do so in the future*. This preventive policy, in conjunction with readaptation problems, will be dealt with in Part Two.

Finally, we shall turn our attention to Europe, in order to work out the conclusions emerging from this study.

## PART ONE

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### REMEDIAL ACTION OR SPECIAL RE-EMPLOYMENT MEASURES

What happens when an enterprise finds that it has to or will have to cut down the number of its workers? What arrangements are made to ensure that the labour force does not have to bear the burden of the new situation? What is done to find new jobs for workers who have been, or are about to be, laid off? How effective are these arrangements? Do they give satisfaction to those concerned, or not?

These are the questions to be dealt with in this first part of our Report.

It is proposed to examine in turn the various forms of assistance given to the workers. We shall then go on to see to what extent they are effective. In view of the stress laid by those with whom the Team came in contact upon measures to provide employment, and the surprise evidenced at the idea of "taking unemployed workers by the hand to lead them to new jobs", it is clear from the start that we shall more frequently come across measures of assistance to the unemployed than real action to ensure re-employment.

Before we go on to give an account of the measures adopted and of their effectiveness or otherwise, we must be clear on one essential point, namely the scale on which the problem is found in the United States. The events of 1929 are, of course, very much in all our minds — and above all in the minds of the Americans, for the memory of that time is a permanent obsession which conditions their behaviour a good deal. The problem, however, extends beyond this state of acute economic depression, and requires treatment in a wide context.

It is, therefore, proposed to deal

*in Section I* with the extent of unemployment in the United States;

*in Section II* with the forms and methods of assistance provided for the workers;

*in Section III* with the effectiveness of such assistance.

## CHAPTER ONE

### UNEMPLOYMENT IN THE UNITED STATES

We shall take the development of unemployment first in the country as a whole and then sector by sector.

#### Section 1: The development of unemployment in the country as a whole

##### POPULATION AND LABOUR FORCE

According to a survey published in September 1954 by the Bureau of Labor Statistics, of the U. S. Department of Labour, the trend in the population of the United States and its structure according to labour force status from 1929 to 1953 was as indicated in Table 1, p. 29.

This table shows

(1) that the working population has grown more or less at the same rate as the population as a whole;

(2) that, apart from the crises given here as affecting 1933 and 1940, and the war period given here as affecting 1944, the proportion of unemployed in the working population varies between 2.5 and 5.5 percent, in other words, it is practically always above the percentage generally regarded as representing the normal margin in labour fluctuations.

Thus even the overall figures (which may be supplemented as regards unemployment in 1954 and early 1955 by the following figures: 3,725,000 in March 1954, 3,305,000 in May 1954, 3,383,000 in February 1955) show that there is in actual fact a permanent unemployment problem in the United States.

In addition, a considerable menace is looming up in what may prove to be the very near future — "Automation", the fully automatic handling of materials at the various stages of production.

*(See also statement on this menace by the rapporteur to the Conference of the United Automobile Workers (C.I.O.) held on November 12 and 13, 1954.)*



**TABLE I**  
**Population and labour force 1929—1953**

	<i>(numbers in thousands)</i>									
	1929	1933	1940	1944	1949	1950	1951	1952	1953	
<b>Total population<sup>1)</sup></b> .....	<b>121 770</b>	<b>125 579</b>	<b>131 970</b>	<b>138 083</b>	<b>149 215</b>	<b>151 683</b>	<b>154 350</b>	<b>157 022</b>	<b>159 629</b>	
Under age 14 .....	33 866	32 742	30 534	32 315	38 269	38 605	40 110	41 611	43 128	
14 and over .....	87 904	92 837	101 436	105 768	110 946	113 078	114 250	115 411	116 501	
<b>Not in labour force<sup>2)</sup></b> .....	<b>38 464</b>	<b>40 997</b>	<b>45 377</b>	<b>39 767</b>	<b>47 282</b>	<b>47 462</b>	<b>47 374</b>	<b>47 990</b>	<b>49 526</b>	
(14 and over)										
Keeping house .....	N. A.	N. A.	N. A.	27 350	33 068	33 058	33 105	33 334	34 242	
In school .....	N. A.	N. A.	N. A.	4 540	6 093	6 197	5 829	6 040	6 087	
Others <sup>2)</sup> .....	N. A.	N. A.	N. A.	7 877	8 121	8 207	8 440	8 616	9 197	
<b>In labour force<sup>2)</sup></b> .....	<b>49 440</b>	<b>51 840</b>	<b>56 180</b>	<b>66 040</b>	<b>63 721</b>	<b>64 749</b>	<b>65 982</b>	<b>66 560</b>	<b>66 965</b>	
Percent of population										
(14 years old and over) .....	56.2	55.8	55.4	62.4	57.7	57.4	58.2	58.1	57.4	
Armed forces .....	260	250	540	11 410	1 616	1 650	3 098	3 594	3 547	
Civilian labour force .....	49 180	51 590	55 640	54 630	62 105	63 099	62 884	62 966	63 417	
Civilian employed .....	47 630	38 760	47 520	53 960	58 710	59 957	61 005	61 293	61 894	
Unemployed .....	1 550	12 830	8 120	670	3 395	3 142	1 879	1 673	1 523	
<b>Unemployed</b>										
(as % of civilian labour force)	3.2	24.9	14.6	1.2	5.5	5.0	3.0	2.7	2.4	
Men .....	N. A.	N. A.	14.3	1.0	5.5	4.9	2.6	2.4	2.3	
Women .....	N. A.	N. A.	15.5	1.7	5.4	5.3	3.9	3.1	2.6	

N.A. = Not available.

1) Because revisions in the population figures have not been incorporated in the labour force estimates for 1940 to 1952, the data on labour force status do not correspond exactly with the population figures shown in this table.

2) Persons in institutions (penal, charitable, mental, etc.), permanently disabled, retired, etc.

We shall be coming back to this subject, which is very much in the minds of those principally concerned, and particularly of the labour unions. For the moment, we shall confine ourselves to the problems of immediate concern.

An analysis of the position will help to give a more accurate idea of their importance.

#### UNEMPLOYED PERSONS BY DURATION OF UNEMPLOYMENT

The Bureau of Labour Statistics survey already quoted gives the following table for unemployed persons, grouped by duration of unemployment, for the period 1946—54.

TABLE II

#### Unemployed persons by duration of unemployment 1946—1954

Year	Average number of unemployed	Percent of the unemployed who were without work			Average duration of unemployment
		10 weeks or less	11-26 weeks	over 26 weeks	
1946 monthly average	2 270 000	N.A.	N.A.	6.2	N.A.
1947 » »	2 142 000	72.5	19.9	7.7	9.8
1948 » »	2 064 000	77.1	17.3	5.6	8.6
1949 » »	3 395 000	70.1	22.3	7.5	10.0
1950 » »	3 142 000	65.6	23.1	11.4	12.1
1951 » »	1 879 000	75.8	17.0	7.3	9.7
1952 » »	1 673 000	78.7	16.4	5.0	8.3
1953 » » <sup>1)</sup>	1 523 000	80.2	15.1	4.7	7.9
March 7-13, 1954 <sup>2)</sup>	3 725 000	60.0	32.9	7.2	12 weeks
May 2-8, 1954	3 305 000	58.3	30.5	11.3	13 weeks

N.A. = not available.

1) The 1953 figures do not include a correction made in the September-December totals, which raises the number of unemployed to 1 602 000.

2) The 1954 figures are not strictly comparable with those for previous years.

This table shows that

- (1) most unemployed are not out of work for more than 10 weeks;
- (2) a minority of between 5 and 11.5% are out of work for over 26 weeks, which means, as we shall see, that they no longer receive unemployment benefit.

(3) The other minority of between 16 and 33%, who remain out of work for more than 10 weeks but less than 26, include a number who under their own State's legislation are in the same position as those under (2).

(4) These figures are still only averages. A further breakdown is, therefore, necessary.

*THE LOCALIZATION OF THE UNEMPLOYMENT*

During the war, a scheme for classifying areas according to the level of employment was introduced by the Bureau of Employment Security of the U. S. Department of Labor. The labour market was subdivided into 149 large areas, each comprising one or more cities with a population of at least 50 000 and the surrounding territory within reasonable commuting distance.

These areas are classified on the basis of the ratio of labour supply to labour demand. Four groups were thus established:

- Group I: areas of labour shortage;
- Group II: areas of balanced labour supply;
- Group III: areas of moderate labour surplus;
- Group IV: areas of substantial labour surplus;
- IVa: areas of substantial surplus;
- IVb: areas of very substantial surplus.

There is a further classification of smaller areas with a substantial labour surplus. These vary in number.

The Bureau of Employment Security of the U. S. Department of Labour in Washington co-ordinates the information submitted for each State by the Employment Security Agencies. A bimonthly publication, "The Labour Market and Employment Security", gives a summary of the situation and outlook. The September 1954 issue provides a comparison between the classifications for September 1954, July 1954 and September 1953.

The comparison is as follows:

TABLE III

Classification	Sept. 1954	July 1954	Sept. 1953	Description of classification
<i>Major areas</i>	<b>149</b>	<b>149</b>	<b>149</b>	
Group I	0	0	3	Areas of labour shortage
Group II	17	16	64	Areas of balanced labour supply
Group III	81	80	64	Areas of moderate labour surplus
Group IV	51	53	18	
IV-A	42	45	—	Areas of substantial labour surplus
IV-B	9	8	—	Areas of very substantial labour surplus
<i>Smaller areas</i>				
Group IV	94	88	24	
IV-A	55	51	—	Areas of substantial labour surplus
IV-B	39	37	—	Areas of very substantial labour surplus

Bureau of Employment Security comments note a contrast between the stability prevailing since May 1954 and the large-scale shifts which occurred during the previous winter.

Points to be specially noted are:

- (1) the instability of Group II from one year to another (1953—54);
- (2) the number of areas of substantial labour surplus, even in September 1953 when the number of unemployed was the lowest since the war;
- (3) the increasing number of "smaller areas" classified under Group IV;
- (4) the concentration of Group IV areas, whether "major" or "smaller", in the north-eastern part of the country. This factor changes a good deal the significance of the average number of unemployed in relation to the total labour force. In relation to the labour force of the areas chiefly concerned, the percentage of unemployed would obviously have a very different significance.

The problem is thus a very real and often serious one, at any rate locally.

It remains to be ascertained how unemployment is distributed over the various sectors, and more particularly what form it takes in the coal-mining and iron and steel sectors.

## Section 2: Development of Unemployment by Sectors

### DEVELOPMENT IN THE VARIOUS SECTORS

A survey of trends in employment since 1950, published in the *Monthly Labor Review* for October 1954, includes the following chart:

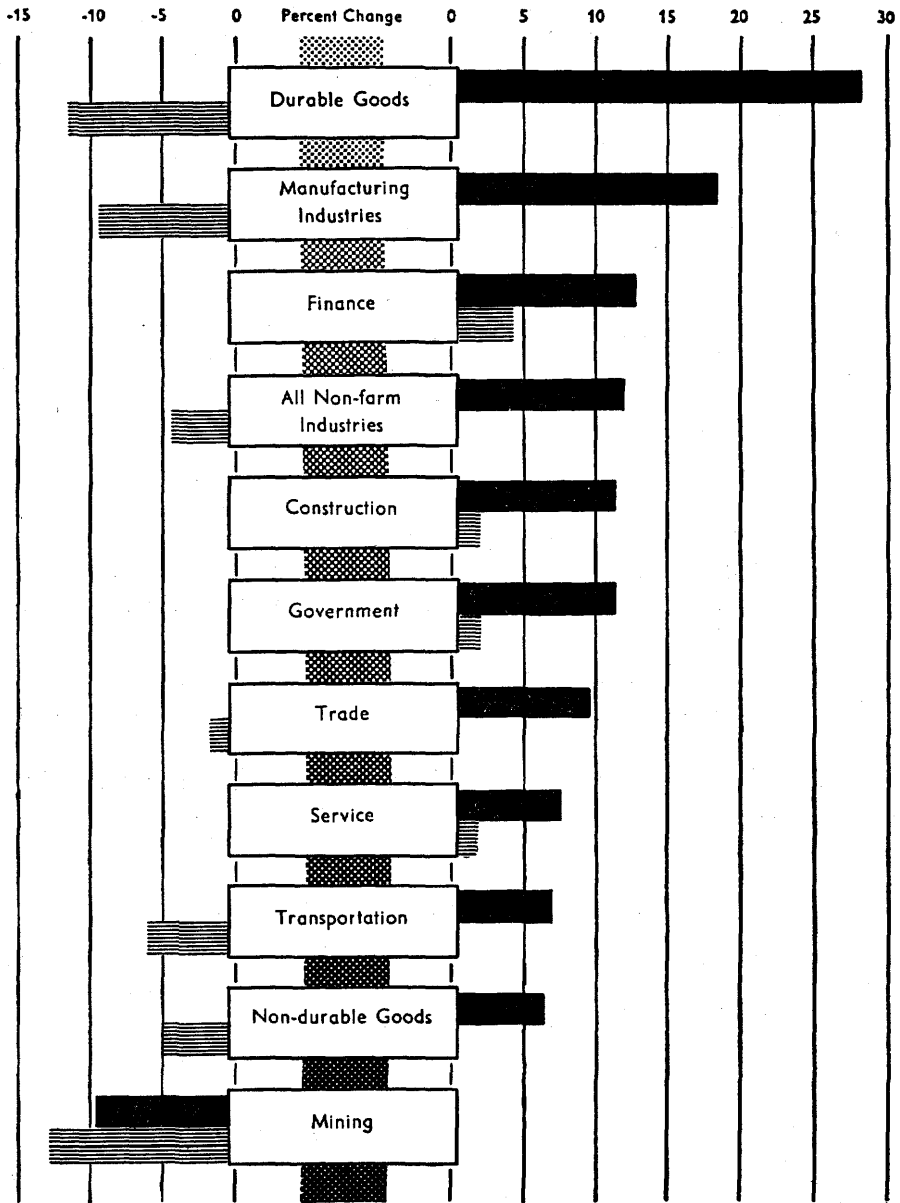
This classification falls under three main groups:

- (1) the group of industries which have been increasing their manpower continually since 1950, viz. Finance, Construction, Government, Service and (more or less) Trade;
- (2) the group of industries where the level of employment is governed by economic conditions, viz. Transportation;
- (3) the group of industries which have been decreasing their manpower continually since 1950, viz. Mining.

The more detailed breakdown which follows, giving durable goods, non-durable goods and non-manufacturing industries separately, shows moreover that:

# Employment changes by Industry

(June 1950 — June 1953 and June 1953 — June 1954)



June 1950 — June 1953

June 1953 — June 1954

- (1) in the industries manufacturing non-durable goods,
  - (a) employment in the food, tobacco, paper, printing, rubber, and leather industries fluctuates in line with the economic and seasonal patterns;
  - (b) employment in the textile industry appears to have been brought to a position of relative stability, following extremely large reductions in the number of workers in 1953;
  - (c) in the apparel, petroleum products and chemicals industries, the basic tendency is toward reduction of employment;
- (2) in the industries manufacturing durable goods,
  - (a) most industries are tending to stabilize, despite the drops in 1954;
  - (b) the lumber industry continued to reduce man-power;
  - (c) the various branches of mechanical engineering show an increase (most in evidence in the aircraft and automobile industries);
- (3) in the group of non-manufacturing industries
  - (a) most sectors are improving the level of employment;
  - (b) Transportation is governed by economic conditions;
  - (c) in Mining, only petroleum and natural gas show a relative stability of employment, while in the others it continued to fall.

Thus it is clear from these breakdowns to what extent the problem is concentrated around certain points, and what a very considerable problem it is becoming.

We shall now go on to deal with the coalmining and iron and steel industries, in which we naturally took a special interest.

#### DEVELOPMENTS IN COAL AND STEEL

The foregoing analysis of the situation shows that the iron and steel industry is among the sectors with a fair degree of stabilization, whereas the coalmining industry is one of the hardest-hit of all.

#### IRON AND STEEL INDUSTRY

The Research Department of the U. S. W. A. <sup>(1)</sup>, in a survey published on March 25, 1954, on the long-term employment trend in the basic iron and steel industry over the period 1937—1954, gives the following two tables:

(1) U. S. W. A.: United Steelworkers of America.

TABLE IV

Level of employment and man-hours in the basic iron and steel industry (1)  
(A. I. & S. I.)

Year	Workers, production and maintenance			Salaried employees		Production
	Average number of workers	Average hours p. week	Total man-hours (in millions)	Average number of employees	Total man-hours (in millions)	(in short tons)
1937	479,022	36.8	918,355	55,132	121,459	56,636,945
1938	360,365	27.6	518,406	52,742	107,764	31,751,990
1939	396,220	34.8	719,125	53,421	113,745	52,798,714
1940	453,990	36.1	857,771	57,338	122,523	66,982,686
1941	507,306	38.5	1,019,103	63,430	133,933	82,839,259
1942	511,414	38.9	1,036,969	71,511	151,391	86,031,931
1943	487,187	42.9	1,089,761	77,121	168,264	88,836,512
1944	456,682	46.6	1,112,030	76,969	178,321	89,641,600
1945	438,825	44.1	1,009,034	76,178	175,094	79,701,648
1946	458,259	35.0 <sup>2)</sup>	836,870 <sup>2)</sup>	79,889	173,301 <sup>2)</sup>	66,602,724
1947	489,138	38.6	984,410	84,531	183,173	84,894,071
1948	503,351	39.1	1,028,520	88,196	191,044	88,640,470
1949	491,615	34.5 <sup>2)</sup>	884,655 <sup>2)</sup>	89,209	188,550 <sup>2)</sup>	77,978,176
1950	503,309	39.0	1,023,132	88,952	191,262	96,836,075
1951	540,365	40.2	1,132,330	97,962	212,341	105,199,848
1952	519,265	35.8 <sup>2)</sup>	970,739 <sup>2)</sup>	102,642	219,154 <sup>2)</sup>	93,136,127
1953	544,325	39.4	1,119,305	105,880	224,812	111,609,719
1953	555,683	38.1	93,691	107,195	19,134	9,275,673
1953	555,041	38.2	93,909	107,390	18,813	9,405,580
1953	548,049	39.2	92,036	106,967	18,729	8,883,428
1953	539,124	40.1	95,749	106,819	19,030	9,462,722
1953	528,898	38.0	86,320	106,736	18,624	8,690,052
1953	518,113	37.0	84,679	106,470	18,946	7,946,328
1954 <sup>3)</sup>	508,652	35.7	80,538	105,663	18,353	7,951,486
1954	500,426	37.2	74,397	105,378	18,064	7,083,000

1) Figures for recent years are based on reports of companies representing 93-95% of the industry's basic capacity. Figures for previous years are apparently based on reports of companies representing approximately the same percentage of total capacity.

2) Affected by strikes.

3) In January 1954, the industry was working to 75.3% of its capacity. This figure dropped to 74.3% in February. In March the rates were

March 1 .....70.7%  
 March 8 ..... 69.3%  
 March 15 ..... 67.6%  
 March 22 (forecast) 66.5%

TABLE V (\*)

**Indicators of employment, working hours, production and capacity in the iron and steel industry for certain years**

(1937 = 100.0)

Years	Average number of P. and M. workers	Total P. and M. hours	Steel ingot production	Total steel ingot capacity
1937	100.0	100.0	100.0	100.0
1939	82.7	78.3	93.2	104.7
1947	102.1	107.2	150.0	116.8
1950	105.1	111.4	171.0	127.9
1951	112.8	123.3	185.7	133.4
1953	113.6	121.9	197.2	150.4
January 1954 (annual rate)	106.2	105.2	165.3	159.1

1) Based on American Iron and Steel Industry figures.

The conclusions established by the Research Department of U. S. W. A. include the following:

(1) The huge investments in new works and in plant for the basic iron and steel industry over a long period have resulted in a substantial increase in capacity and production. However, not only have employment and working hours not risen accordingly, but in absolute figures there has been practically no increase at all over 1937.

(2) If the iron and steel industry continues producing at its present level, i. e. at approximately 67% of its capacity, the output of steel for 1954 should be over 83m. tons, whereas the figure for 1937 was only 56 600 000 (an increase of 47%), but the level of employment (P. and M.) will remain at about the 1937 level.

(3) Thanks to a very much higher rate of productivity (production per man/hour), the iron and steel industry has been enabled to step up its production substantially at the cost of only a minute increase in the number of workers employed and man-hours worked.

(4) An increase in production unaccompanied by an increase in employment and/or man-hours, owing to a higher rate of productivity,



suggests certain conclusions where iron and steel workers can work full time and other workers ("potential" steelworkers) are employed in other industries. But the conclusions it suggests are entirely different where shifts — and obviously the total wage — are reduced and the number of unemployed in the industry is on the increase.

(5) Between July 1953 and February 1954, the total man-hours (production and maintenance) fell by some 19 300 000, or 20.6%. In February 1954, the working week was 35.2 hours.

Between July 1953 and February 1954, 57 000 production and maintenance workers were laid off. As there had also been discharge in other industries, the steelworkers laid off could not be absorbed elsewhere.

Thus the two points of concern in the iron and steel industry are, firstly, the permanent standstill in employment, and secondly, discharges due to market fluctuations in conjunction with the circumstances prevailing in the different areas as listed on a previous page.

It should be added that these, too, are overall figures which somewhat obscure the problem, even though the iron and steel industry is mainly concentrated in the Eastern States. We shall be coming up against localized instances as we go on.

COALMINING INDUSTRY

The Bureau of Employment Security of the U. S. Department of Labor has drawn up the following statistics showing the decline of the coalmining industry and the position of the different collieries in comparison to the employment situation in their area.

TABLE VI

Annual average of production workers in mines

(in thousands)

	Anthracite coal	Bituminous coal
1947	74.6	402.1
1948	75.6	410.8
1949	72.6	367.8
1950	70.6	343.7
1951	65.6	348.0
1952	59.6	309.9
1953 (1st qtr.)	59.0	325.1

TABLE VII

**Mining Employment in Pennsylvania and West Virginia by State (total all mining)  
and area (coalmining)  
May 1951 — May 1953**

(Percent Change May/1953)

State Area	May 1953	May 1952	May 1951	from May 1952	from May 1951
Pennsylvania <sup>1)</sup>	154,400	17,900	184,800	—10.2	—16.5
<i>BES Area Classification<sup>4)</sup></i>					
IV Clearfield-Du Bois (B)	4,600	5,000	5,400	— 8.0	—14.8
IV Johnstown (B)	17,250	19,450	21,000	—11.3	—17.9
III Pittsburgh (B)	29,000	31,200	33,200	— 7.1	—12.7
IV Pottsville (A)	16,000	20,300	<sup>2)</sup>	—17.2	
IV Scranton (A)	9,500	11,350	12,450	—16.3	—23.7
IV Sunbury-Shamokin-Mt. Carmel (A)	5,250	5,800	INA	— 9.5	
IV Uniontown-Connesville (B)	9,050	9,900	11,200	— 8.6	—19.2
IV Wilkes-Barre-Hazletown (A)	27,850	30,000	31,900	— 7.2	—12.7
West Virginia <sup>1)</sup>	106,400	121,800	127,200	—12.7	—16.4
IV Beckley (B)	9,050	10,750	INA	—15.8	
III Charleston (B)	14,700	17,450	19,600	—15.8	—25.0
IV Roncerverte-White Sulphur Springs (B) <sup>3)</sup>	2,480	3,240	INA	—23.5	
III Wheeling-Stubenville (West Virginia-Ohio) (B)	8,000	9,400	10,400	—14.9	—23.1
United States <sup>1)</sup>	846,000	898,000	924,000	— 5.8	— 8.4
Coalmining	376,200	424,400	468,500	—11.4	—19.7

A — Anthracite

B — Bituminous

1) Source for State (about 95 percent coalmining) and U.S. Totals: BLS Employment and Payrolls. Figures represent all extractive (mining) activities. Data relate to March of each year.

2) Area has been recently redefined. Comparable figures are not yet available.

3) Data relate to April of each year.

4) All area data are BES data; BES classifications are in accordance with adequacy of labour supply. Group IV areas represent areas of substantial labour surplus.

One point that stands out immediately is the constant decline in the level of employment. This has affected all collieries in all areas, whatever their grade of coal.

Another point emerging from Table VII is that almost all the collieries are in the Group IV areas, i. e. where there is a substantial labour surplus.

Only the Pittsburgh colliery in Pennsylvania and the Charleston and Wheeling-Stubenville collieries in West Virginia are in Group III areas, where the labour surplus is moderate.

At the same time, in the course of our tour we observed in one Pittsburgh district that out of 18 000 miners 11 000 had kept their jobs, working four days a week. In the same way, at Price, Utah, in the Kaiser mines, 300 miners have been laid off since 1950, and the others are working only four days a week. At Bellaire (Ohio), we were given the following figures, showing the long-term trend:

1916	...	...	56 000	miners;
1935	...	...	35 000	miners;
1950	...	...	18 000	miners;
1954	(Dec.)		9 000	miners.

Of the 9 000 miners thrown out of work between 1950 and 1954, only 4 500 were drawing their unemployment allowance, as the remainder had gone beyond the period during which they were entitled to one.

These particulars give a rapid outline of the unemployment problem in the United States, taken overall, by areas, by sectors, and finally, in the coalmining and iron and steel industries.

What special measures have been taken to solve this problem?

## CHAPTER TWO

### FORMS AND METHODS OF ASSISTANCE PROVIDED FOR THE WORKERS

The special measures adopted on behalf of workers who are or seem likely to become unemployed fall under two main heads, namely direct assistance, i. e. measures to help the workers themselves, and indirect assistance, i. e. measures to maintain or foster the activities of the enterprises. We shall examine these two categories in turn.

#### Section 1: Forms and methods of direct assistance to workers

Direct assistance to workers is organized either by the authorities or local communities, or by the firms themselves, generally under collective agreements reached between the managements and the labour unions.

#### ASSISTANCE BY AUTHORITIES AND LOCAL COMMUNITIES

Direct assistance by the authorities and local communities is provided only for workers who have lost their jobs. It does not go beyond the payment of unemployment benefit. It takes the form of unemployment allowances, establishment of employment bureaux and in special cases supplementary relief.

#### UNEMPLOYMENT BENEFIT

This is the only form of general assistance: it is the workers' established right, and the only type of assistance organized under a Federal law.

The *Federal Social Security Law* of August 14, 1935, amended in 1948 and 1949, established a framework within which each State promulgates its own legislation and administers its funds.

Thus, while before the law was passed in 1935 only one State was organizing an unemployment benefit system, there is now such a system in every State — only there are as many different systems as there are States.

#### 1. — *Contribution*

Under the Federal law, all employers of eight or more paid workers must pay in for each of them an unemployment insurance tax at the rate of 3 percent of the wages earned, up to earnings of \$ 3 000 per year. This

tax is paid, as a rule, by the employer only. In some States, the worker pays part of the tax.

Of this 3 percent tax, the State retains 2.7 percent for its funds; the remaining 0.3 percent goes to the Federal authorities for their administrative costs. A law signed by the President of the United States on August 5, 1954, established a system whereby loans may be granted from the Unemployment Trust Fund to States with inadequate reserves.

The contribution rate is not, however, a fixed one: it can vary according to certain rules on "experience rating". Experience rating means setting up an account for each employer and varying his rate of contribution in proportion to the amount of the unemployment benefits previously paid to his personnel. This is an incentive to all employers to provide steady employment. A law voted on August 17, 1954, by the Senate, and on the following day by the House of Representatives, reduced the reference period for calculating the tax to one year.

## 2. — *Recipients*

All wage-earners employed in establishments of eight or more workers are entitled to unemployment insurance, so long as they are not in positions which disqualify them.

Persons of no profession, ministers of religion, lawyers, etc., heads of businesses, self-employed persons, owner-farmers, etc. are not covered by unemployment insurance, nor were Federal employees until recently.

The law of August 17, 1954, extended the field somewhat, providing that from January 1955 onwards 2 500 000 Federal employees would be covered by unemployment insurance, and from January 1956 establishments employing from four to eight workers would also be covered (affecting some 1 500 000).

To be eligible for employment benefit, however, the worker must have worked for a certain minimum length of time or received a certain sum in wages over a reference period. This reference period, sum of wages received or minimum length of time worked varies from State to State.

All States except Montana pay unemployment benefit for a specified waiting period before payment of the benefit. 46 States require one week of total unemployment; two States require two weeks.

All States except Montana pay unemployment benefit for a specified degree of partial unemployment.

## 3. — *Benefit*

Annex I gives the table of Unemployment Benefits paid in each State, drawn up in August 1954 for the first six months of that year by the Department of Education and Research of C. I. O.

(a) Average benefit for the United States as a whole is \$ 25 per week. The two State extremes are \$ 17 and \$ 36.

(b) The amount of benefit payable in each State varies between a maximum and minimum, allowing in some States for dependents of the unemployed person.

— Benefit without dependents, allowances is between \$ 5 per week in the State where it is lowest and \$ 35 where it is highest.

— Benefit with dependents, allowances is between \$ 6 per week in the State where it is lowest and \$ 35 where it is highest.

In 38 States the benefit rate is fixed, between the maximum and minimum, at a fraction of the highest quarterly earnings during the reference period; 9 States take the yearly wage as a basis, and 4 the average weekly wage.

(c) The period for which benefit is payable in each State falls between a fixed maximum and minimum. The lowest minimum is 5 weeks, and the highest maximum 26 weeks.

In 14 States all unemployed persons eligible for benefit are entitled to draw it for the same number of weeks. In the other States the duration of benefits is governed, between the maximum and the minimum, by the length of time worked or wages received during the reference period.

#### EMPLOYMENT BUREAUX

Each locality has an employment bureau and a Committee collecting and circulating all available information on the position in the labour market, openings for jobs, and forecasts of developments in the near future. They obtain this information directly from the employers, and publicize it through a bulletin sent to the Chambers of Commerce, managements and labour unions.

There is in each State an Employment Security Agency which receives the information sent out by the local bureaux and committees. In addition, all employers of more than eight workers have to send in to the Employment Security Agencies a detailed return of

- man-power employed, by trade groupings;
- recruitment and departures;
- hours worked;
- changes in conditions of employment;

together with their own forecasts of employment in the coming months. The Bureau of Employment Security of the U. S. Department of Labor in Washington co-ordinates all the information which it receives from the Employment Security Agencies in the different States, and publishes it in the journal "The Labor Market and Employment Security". It is on

the basis of this information that the areas are classified in four groups, as noted above.

Through this system and the information circulated, workers are able to keep constantly abreast of the state of the labour market and the chances of finding employment. In the same way, the employers are fully informed regarding opportunities for recruitment.

#### SUPPLEMENTARY RELIEF

Upon the expiry of the maximum unemployment benefit period, workers still unemployed are likely to find themselves in a very serious position. Supplementary relief is sometimes, as an exception, organized on their behalf out of a sense of local solidarity, and occasionally at the request of local communities or labour union organizations the State will grant relief in the form of food-stuffs, clothing, etc., in particularly hard-hit sectors where the number of working days may have been reduced to one or two per week.

In Price, Utah, we found this type of solidarity in evidence. The management of the colliery had agreed to keep on in mine-owned houses all laid off and unemployed workers who had not succeeded in finding new employment, and to demand no rental. Subsequently, when the worker does find a job, he pays back his arrears of rental.

#### ASSISTANCE PROVIDED BY EMPLOYERS

Assistance given by employers to those of their workers who are likely to be or have been laid off is provided for under the terms either of collective bargaining agreements with the labour unions, or of private arrangements made by each company individually as and where the problem arises.

#### CONTRACTUAL GUARANTEES

Labour-Management relations are often regulated by collective bargaining agreements concluded for a specified period. In the coalmining and iron and steel industries, these are almost common practice, and are usually drawn up on the basis of a standard type of agreement.

Collective bargaining agreements contain a number of provisions for workers' security in the event of man-power reductions or reconversions. They relate mainly to seniority and severance allowances.

Annex II gives the specimen provisions of collective bargaining agreements in the iron and steel industry regarding seniority and termination of employment. As a general rule, it is agreed that in the event of a decrease of work, the first step is to lay off the probationary workers. After that, the working week is reduced to 32 hours in the unit concerned. Finally, if this proves inadequate, there are further dismissals. The most

"junior" workers are the first to be laid off. In the iron and steel industry a descending scale of ten grades has been established, which is also used as an ascending scale for rehiring.

Let us suppose that, for one reason or another, two workers in the top grade are henceforth redundant. The two most "junior" workers in that grade thereupon go down to the grade below, thus displacing the two most "junior" workers in that grade. And so it goes on, down to the last grade, so that, finally, the two most "junior" workers in the bottom grade are laid off. This is the seniority system. In practice, it tends to link up with the arrangements to help veterans. A veteran out of work is paid by the Federal authorities a supplementary allowance of \$ 75 if he is single, \$ 105 if he is married, \$ 110 if he has one child, etc. He is given the opportunity of learning a trade, or to study at a University at the State's expense. In actual fact, it often happens that workers laid off under the seniority rules are veterans.

The protection which the seniority status affords the worker is not confined to the period during which he is employed. If he has to be dismissed in spite of his seniority, when his turn comes, he retains over a specified period — usually two years — rehiring priority in the event of his company's taking on workers again as a result of a revival in business.

Severance allowances are paid to workers laid off when their usual job is discontinued altogether. The allowance is in the form of a lump sum varying in amount according to the seniority status of the worker in his company. It can be paid over and above the unemployment benefit.

#### ASSISTANCE BY COMPANIES

Companies frequently endeavour to find fresh employment for those of their workers who become redundant as a result of technical reconversion or overhaul of one or more enterprises belonging to them.

##### 1. — *Agreements within the company*

It often happens that a management which has been drawing up a program for modernizing or converting its production will get in touch with the labour union to engage in a joint study of the labour problems likely to arise. The company and the union together go into action to be taken regarding reclassification within the company of the workers affected.

The arrangements decided upon are submitted to the workers concerned, who can either accept or reject them. If they accept, they are introduced to their new duties on the spot, sometimes under the guidance of specialists; they are given the opportunity of attending refresher courses in order to gain the higher qualifications which will facilitate their promotion. If they refuse, they are entitled to a severance allowance.



## 2. — *Arrangements between enterprises of a single company*

Where a company reorganizes more than one of its enterprises at once, it sometimes uses the same procedure. It gives the workers the option of jobs, in line as far as possible with their capabilities, in another of these enterprises. Workers who accept are paid an allowance making good whatever they have forfeited in wages, and covering all expenses involved in their own removal and that of their families and household belongings. They are also compensated for any losses incurred, e. g. as a result of stoppage of payments due on their houses. If workers do not agree to such a transfer, they also receive severance allowances.

## 3. — *Transfers from one company to another*

As regards any possible transfers from one company to another, no definite arrangement seems to be indicated by current practice. Workers are laid off in accordance with contractual provisions in the collective bargaining agreements. It does, however, happen — though not often — that two companies arrange for one of them, when taking on labour, to give priority to workers laid off by the other.

### **Section 2: Forms and methods of indirect assistance to workers**

The measures we have just described are those taken on behalf of the labour force itself. Indirect assistance is designed to maintain or encourage the activities of companies where it is that they are in difficulties. Here again, a distinction may be drawn between indirect assistance from the authorities or local communities and efforts by the companies themselves.

#### **ASSISTANCE FROM THE AUTHORITIES AND LOCAL COMMUNITIES**

##### **ASSISTANCE FROM THE AUTHORITIES**

Assistance for companies from the authorities is hardly ever given on the authorities' own initiative. It comes generally as a result of applications by local committees of communities. Upon such application, the Federal Administration may grant tax reductions or channel orders to the companies concerned.

Independently of this type of Federal intervention, the local authorities in especially depressed areas can start purely localized action. Thus, in New York State a Commission of Inquiry has been set up to establish the causes and consequences of migration South by certain companies.

##### **ASSISTANCE FROM LOCAL COMMUNITIES**

Economic difficulties affecting whole areas are leading more and more to action by local communities, which set up special committees for

this purpose. These local committees usually consist of representatives of the labour unions, the Chambers of Commerce, the manufacturers, the retailers and the local authorities.

The object of these committees is to prevent the flight of industries from their area. In some cases they also seek to encourage new enterprises to settle there.

In the course of our visit the Bellaire, Ohio, we had the opportunity of inspecting such a project on the spot. The Bellaire area is, as we have seen, one of those most affected by unemployment. The miners' union, soon backed by the other unions, started discussions with the local, State and Federal authorities with a view to producing action to revitalize the economic life of the area. A committee was set up along the lines described. The object of this committee, which meets every month, is to collect funds, list and parcel out available sites, organize land and water communications, lay on gas, water, electricity, etc. It also endeavours to obtain tax concessions from the State and Federal authorities for any company wishing to settle in the area. A great deal of publicity is carried on in the newspapers and in various periodicals in order to keep the manufacturers informed of what is being done and what facilities are being granted.

We also saw something of the work of similar committees in the State of California. There the problem is not that the area is in difficulties, but that it is in process of expansion. California is receiving an influx of population, consisting to a large extent of retired people who have elected to live in the particularly mild climate prevailing there. Notwithstanding, the work of the committees set up for this purpose is exactly the same as that of the committees in the depressed areas.

Organization in California is perhaps more systematic inasmuch as the Industrial Plan Location Committee set up in 1944 is a special section of the State Wide Industrial Committee of the California Chamber of Commerce, and has obtained the co-operation of a hundred or so local Chambers of Commerce in California.

Annex III following shows a specimen questionnaire of the Industrial Plant Location Committee, with replies from one of the cities interested in attracting new enterprises. The information furnished to enterprises is very comprehensive and detailed.

#### *ACTION BY ENTERPRISES*

Independently of the protective and promotion measures which the Federal Administration is asked to introduce by the various local committees in the areas affected, and independently of any action taken by the local committees themselves, the industry can co-ordinate the endeavours of enterprises to improve their competitive position in the market. Joint

research is carried on regarding market conditions and the possibilities of new outlets, with a view to deciding what must be done to increase the consumption of the industry's products and to organize appropriate action.

Thus the coalmining industry is studying ways and means for rationalizing coal transportation, with the object of replacing the costlier system of railroad freighting by either road haulage or hydraulic pipelining, which would mean a big cut in transportation costs and enable the industry to maintain, if not actually to step up, its competition with fuel oil. A publicity campaign is being carried on by the National Coal Association explaining the advantages of coal over fuel oil, and outlining the advances which have been made in coal utilization technique. Consulting engineers are at work in the various areas on research into the consumption costs of the different sources of energy. Big efforts are being made to produce electricity cheaply and to recover the custom of the railroads.

## CHAPTER THREE

### THE EFFECTIVENESS OF ASSISTANCE TO THE LABOUR FORCE

The continued existence of unemployment, at any rate in certain areas and sectors, is in itself an indication that the remedial action being taken is in general inadequate. The fundamental attitude observed by the Team to prevail in the United States, that of relegating re-employment problems to the background and putting the stress on the policy of full employment, has, of course, a good deal to do with this inadequacy. However, we cannot simply leave it at that, and the Americans themselves are concerned by the persistence of the problem. More particularly, the labour unions are. Their criticisms and programs show the extent of their concern and the efforts that are being made to improve the situation.

An examination will be based mainly on these criticisms and programs. It will deal with the following two questions.

- (1) Are the various measures introduced duly fulfilling their object?
- (2) How can the remedial action be improved?

#### Section 1: Are the measures introduced duly fulfilling their object?

##### THEORETICALLY VALUABLE MEASURES

It should be noted right away that to the Americans the various measures which are introduced in the event of unemployment or threatened unemployment are as a rule valuable in themselves. This will be borne out when we go to deal with proposals for improving the situation. Thus any criticism of them is aimed not at abolishing or superseding them, but at overhauling them as they stand.

Take the unemployment benefit system.

Table II (see p. 30) on duration of unemployment, and the table in Annex I giving the various features of benefit as paid in each State, show the assumption that 26 weeks is a sufficient maximum for an unemployed worker to find a new job to be an over-optimistic one in some cases. Supplementary relief is, as will be recalled from our observations already noted, highly problematical, and can hardly be regarded as contributing to a solution.

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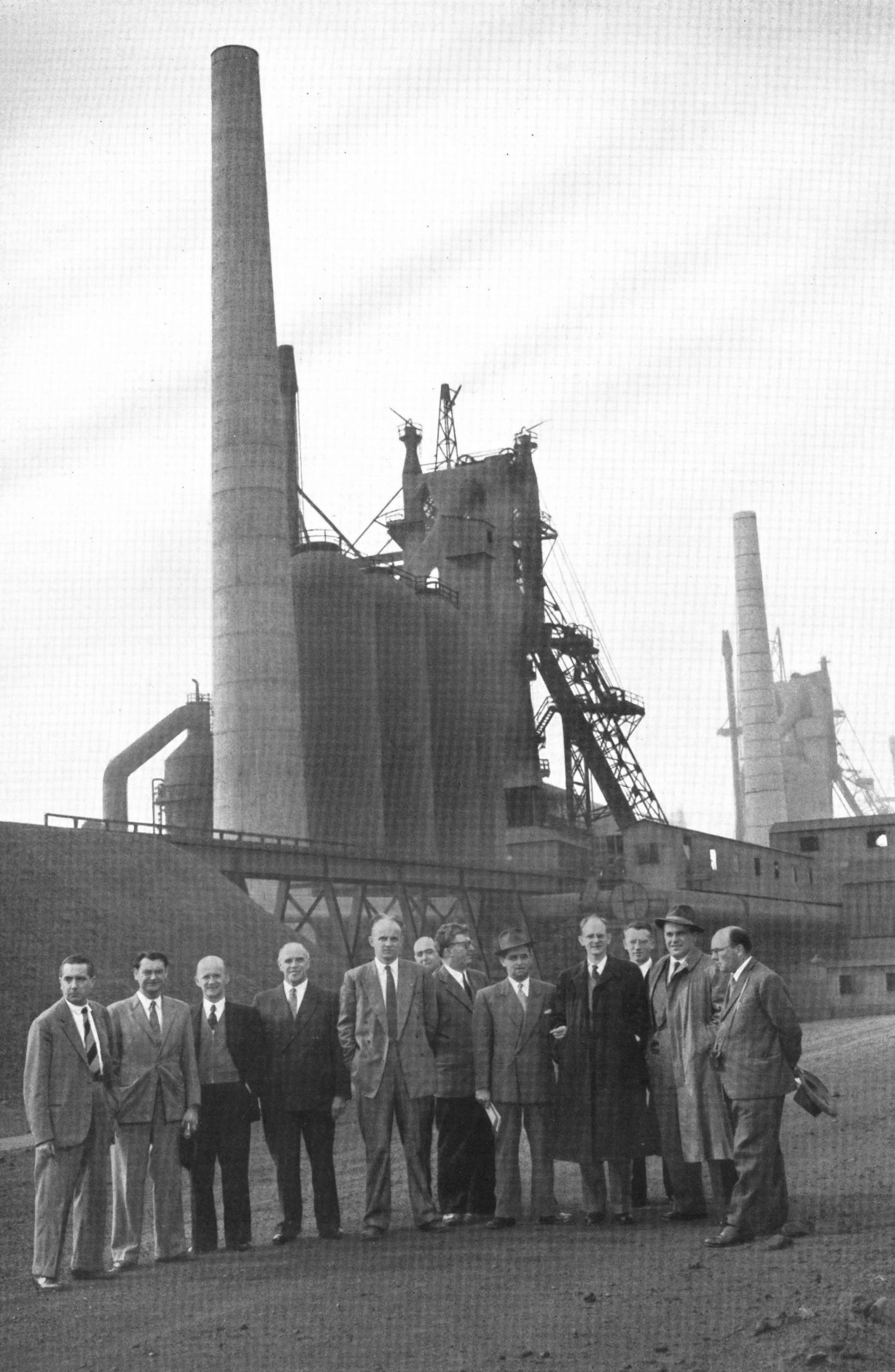
*In front of the headquarters of the Kaiser Steel Corporation at Los Angeles (California).*

*From left to right: MM. Sala, Perone, Meyer-Bernstein, Demolder, Weis, Buiter (team leader), Brusson, Hardung, Cros, Rombeaut, Krompholtz and Langendijk.*

# KAISER STEEL CORPORATION

ADMINISTRATION BUILDING





The reform proposed by C. I. O. would (1) extend the period of benefit to a flat 39 weeks in all States, (2) procure Federal assistance for States bearing particularly heavy charges, (3) widen the field of eligibility, (4) have the Federal authorities lay down standard bases in place of individual ones for payment of the employer's contribution, (5) allot a higher percentage of receipts to the Federal Bureau for it to establish a more satisfactory administrative system.

It is hoped, in particular, that this will put an end to abuses regarding benefit disqualification. C. I. O.'s Department of Education and Research has found that there is too much restriction on eligibility for benefit.

In the first half of 1954,

179 000 unemployed workers were disqualified for quitting their jobs voluntarily;

109 000 for misconduct;

40 000 for refusing suitable work offered;

308 000 for being unable or unavailable for work, or for not actively seeking work.

Thus, all things considered, the same system is retained as right and proper, with one basic assumption superseded as too restrictive, and certain abuses eliminated.

The same attitude is adopted concerning the measures prescribed by the collective bargaining agreements, seniority and severance allowances. As we shall see, these measures are generally the basis for further proposals. And we find it once again in regard to movement allowances (travel expenses, re-settlement expenses, compensation for all losses incurred on removal), to indirect assistance from the authorities and local communities, to action by the enterprises.

Is this general approval in conformity with the conclusions drawn from practical experience?

#### THE CONCLUSIONS OF EXPERIENCE

In a number of cases, the measures taken have proved effective.

Reference has already been made to the arrangements made by the management of the Pittsburgh Steel Company's Allenport works, in cooperation with the Union. The same procedure was followed with success by the Granite Steel Company, St. Louis. We further noted the action

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*The "Steel" group at the Kaiser Steel Corporation at Los Angeles (California).*

*From left to right: MM. Perone, Krompholtz, Langendijk, Hardung, Buiter (team leader), Brusson, Rombeaut, Demolder, Meyer-Bernstein (U.S.W.A. - C.I.O.), Cros, Weis, Sala.*



by the Kaiser Mines, Price, Utah, where in spite of rapid modernization of the plant only a limited number of workers were laid off temporarily; those who lost their jobs at the face were employed by the firm on building houses. In 1953, when it became impossible to prevent some discharges, work was started to enlarge the coking plant, so as to ensure quick re-employment of workers laid off in accordance with the priority rules in the agreements on seniority.

As regards measures on a bigger scale, in connection with re-organization within a single company, the case usually quoted is that of 200 workers of the American Viscose Company, who were able to transfer from one of the Company's enterprises to another.

There are some instances of success by local communities in having new activities established in their areas when these were in economic difficulties. Thus at Bellaire 250 unemployed miners were enabled to find permanent jobs. Again, at Alpena a textile mill was converted into a clothing factory offering permanent employment to 1,000 textile workers who had been laid off.

These developments constitute an argument in favour of measures introduced. It is, however, noteworthy that they are for the most part purely local in character. The examples we cite relate either to readjustments within a single enterprise, or to readjustments in a single locality.

While we could quote other examples of success at local level, attempts on a larger scale appear to come up against much more serious difficulties. We have been able to acquire a considerable body of detail concerning one such experiment, that concerning *Ellwood City*.<sup>1)</sup>

*Ellwood City is a town with a population of 14,000, located in the great coalmining and iron and steel region of Western Pennsylvania, 38 miles north-west of Pittsburgh. It is the smallest of the four cities containing the industrial population of this region, the others being Butler, with a population of 25,000, New Castle, with 48,000, and Beaver Falls, with 17,000.*

Ellwood City is a place with one industry — tube-making. Some four thousand people are employed by the National Tube Company, which is part of the United States Steel Corporation: that is to say, two-thirds of the wage-earning population work in the tube mill.

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<sup>1)</sup> These details were given us through the courtesy of Mr. Meyer Bernstein, International Representative of the U. S. W. A. in Europe, and Mr. Martin J. Kovach, International Representative of the U. S. W. A. at Pittsburgh, Pa. The Yale Labor and Management Center's book STEELTOWN, by Charles R. Walker, has been taken as our basic material.



After a period of particular prosperity, the tube-making industry in Ellwood City ran into difficulties before the war. In consequence of these difficulties, the National Tube Company in 1945 decided to transfer its mill from Ellwood City, Pennsylvania, to Gary, Indiana, in the Chicago area.

It was at a celebration organized by the community in August 1945 that the Governor of Pennsylvania disclosed the possibility that the mill might be transferred west. A few days after his statement, the union telegraphed him asking for details. The Governor replied that he was in possession of confidential information, and that it was because of his interest in the workers and in Pennsylvania as a whole that he was determined to do everything in his power as Governor to keep industries there and to bring new industries to the State.

No details were issued to supplement the Governor's announcement, and the Company did nothing to clarify the position regarding the transfer, although the possibility was confirmed. The unions, so far from letting matters rest, sought to prevent the transfer by submitting to the management proposals for an economy program with a view to making the Ellwood City plant operations more economical. The program was studied by the management, but it was frankly stated that the transfer would still have to be carried out. Finally, on August 1, 1946, the Company's decision was officially announced.

The announcement set forth the reasons for the proposed transfer: transportation costs would be lower at Gary than at Ellwood City both for raw materials and for finished products, the Ellwood plant was obsolete, the transfer was part of a big program adopted by United States Steel to improve its competitive position. The Company stated that the transfer would be carried out gradually over the next two or three years, and that all Ellwood workers who were laid off would forthwith be given employment at other Company locations, at McKeesport, Lorain and, more particularly, at Gary, where new plant was being installed.

This statement was immediately followed by various steps from those concerned.

The community of Ellwood City organized a program of action. On August 12, representatives of the Chamber of Commerce participated in the first of a series of meetings with the officials of the National Tube Company. The object was to explore the future of the Company's plant in Ellwood City. Would National Tube sell to another manufacturer, when, and to whom? The President of the National Tube Company stated that the decision to move had only been made after consideration had been given to every aspect of the problem: the Company wished to make such disposition of its Ellwood City properties as would serve the best interests of all concerned, and especially of the Ellwood community.

On August 27, the Chamber of Commerce set up an Industrial Corporation for the purpose of attracting new industries to Ellwood City. The Industrial Corporation was a non-profit body aiming to build up a federal fund by selling shares to Ellwood citizens, the money to be used solely to buy land for new industries, to build new buildings, and to renovate old ones.

Meantime, tension increased among the tube mill workers. A partial strike caused a drop in the enterprise's activity for a week or so, and although the technical cause of the strike was the elimination of a clerk, it was quite apparent that the emotional origin was the move to Gary. The elimination of the clerk, which was given as the reason for the strike, was in actual fact only a routine continuation of the economy program proposed by the unions themselves. The dispute was ultimately settled, and the Company thereafter suspended further operation of the economy program. But in Pittsburgh, the Company's officials began to study the "logistics" of the transfer operation, and to draw up plans for retraining workers, transportation, housing for those transferred, public relations, and relations with the unions.

In October 1946, representatives of the United Steelworkers of America (whose jurisdiction covered not only Ellwood Works but Lorain and Gary) arranged a conference with representatives of the National Tube Company. This was the first effort by both parties to solve certain problems posed by the move, the most urgent of which was that of worker seniority. In essence, the problem was this:

(a) both management and the workers in Ellwood City felt that workers transferred to Gary or Lorain should retain their seniority;

(b) the union locals at Gary and Lorain rejected any such transfer of seniority; in support of their position, they pointed to the contract between the National Tube Company and the United Steelworkers of America guaranteeing seniority by plant, not by company.

The problem remained unsolved.

During the months of September, October and November the Ellwood community was torn between optimism and pessimism. Local trade and building activities fell off noticeably.

Definite information was provided on November 14. The Company dispatched a letter to each of its employees, the text of which was also published in the local paper. It stated that the decision had been made reluctantly, but that the Company was obliged to recognize that under no circumstances could production continue at Ellwood City. Since it desired to keep workers informed as to the progress of operations, it believed the time had now arrived to inform all of them of these basic principles which, with proper co-operation from everyone concerned, it was proposing to observe.

These principles were as follows:

(1) the National Tube Company offered employment in other plants of the Company to all employees wishing to transfer;

(2) transfer to other plants of the Company would not break continuous service for vacation and pension purposes;

(3) as regards seniority rights, no answer had as yet been found to the question: it was receiving very careful consideration from the National Tube Company and the union, and the workers would be informed just as soon as the answer had been found;

(4) for the benefit of those who, for one reason or another, might not wish, or could not, transfer to other localities, the Company proposed to encourage other industries to come to Ellwood Cty, and would therefore make every effort to sell its property to manufacturers who could be persuaded to do so.

At a meeting on December 1, the union decided to go "higher up", and try to arrange an interview with the President of the United States Steel Corporation. This proved impossible, but on December 16, a conference was held with representatives of the Company at its headquarters in Pittsburgh. Present at this conference were the President and Vice-President of the Company, the general superintendent of the Ellwood plant, the union district representative, the union international representative at Ellwood City, and the union president of the Ellwood local. This, was the first face-to-face meeting of all the principals representing the Company and the local union since the transfer was first announced on August 1, 1946.

The meeting first discussed the economic pros and cons of the move, and then went on to examine matters of seniority, pensions, and the possible sale of the plant property to another manufacturer.

The sole result of the conference was that the union representatives accepted an invitation by the management to visit Gary. The trip to some extent modified the preconceived antipathy to Gary, but did not reconcile the unions to the Company's decision to leave Ellwood City.

In the first quarter of 1947, the town Ellwood, through its Chamber of Commerce and the new Industrial Corporation, stepped up its campaign to "save Ellwood". On April 30, a meeting to welcome new manufacturers was held, and it was announced that ten new companies were to start in Ellwood City. Ellwood citizens were astounded, and felt that a really remarkable job had been done, but a number of them were still skeptical, and took the view that the new enterprises would employ too few and pay too little. One of the least optimistic observers was the international representative for the union.

One week after the meeting for the new manufacturers (to which no union representative had been invited), the union adopted new tactics

which brought it into the bright glare of national publicity; for the first time in the history of the United States Steel Corporation, a union representative addressed Big Steel's annual stockholder's meeting in Hoboken, New Jersey.

The Ellwood union representative was able to attend this meeting in May 1947 thanks to the possession of 260 shares assigned by sympathizers living in Ellwood City. He gave an account of the position, and by this means obtained an interview with Mr. Benjamin Fairless, the President of United States Steel. At this meeting, Mr. Fairless promised to make a resurvey of the Ellwood question, and to visit the tube mill in person.

Several months went by, however, before he actually kept his promise. Meantime, the union had to take further steps. It launched upon activities in three new directions, one following the other.

First of all, it arranged a conference with the president of an independent steel company in an effort to secure a purchaser for the mill. The president expressed interest, but nothing came of the matter.

The international representative of the union then visited Washington, where he met a number of high officials. He endeavoured to persuade them that, in view of the worsening of the international situation, it was to the general interest that the Ellwood City plant should continue.

Finally, between August 1947 and February 1948, the union devoted itself to supporting a project for a canal which would connect the Beaver and Mahoning river area, in which Ellwood City is located, with the Great Lakes. The union argued that if the canal went through this would destroy the Company's main argument for moving its plant to Gary, namely high cost of transportation.

On May 2, 1948, the President of United States Steel, Mr. Benjamin Fairless, visited Ellwood City as promised. He showed understanding for all aspects of the problem, but he said nothing which could have been construed as meaning that the Company might change its mind.

Our information as to what followed is less detailed and systematic. It is, however, clear that in 1949 some 900 out of the 3,800 workers were laid off, and that those who agreed to move to Gary and Lorain (where they were duly offered employment in accordance with the earlier promise) were extremely few in number. On the other hand, in 1950 and 1951, during the Korean war, the personnel was increased once more to 3,600, the workers who had been laid off getting their old jobs back. But in September 1953, there were further considerable cuts, and the number of workers went down to 2,000.

In February 1955, the Ellwood City representative of the United Steelworkers of America, who gave us this information, told us that

production was continuing, that National Tube had not sold any of its Ellwood plant, and that he hoped certain modernization measures now being taken in hand by the Company, even if they did not raise employment, would at any rate keep the mill at Ellwood City.

There we have the course of developments, recent and present, at Ellwood City, whose problem has been temporarily alleviated by the Korean war. It is clear that despite all the means employed, including voluntary transfer backed by guarantees, no solution has been found. It is interesting to note in this connection the reaction of the workers, as tabulated below on the basis of individual interviews.

**TABLE VIII**  
**Worker Reaction to Move**

Category	Number of workers
A) Wants to make the move	0
B) Does not want to go, but would if asked	4
C) Does not want to go, but would go after «trying it out»	6
D) Cannot or did not give an opinion	10
E) Would not go except under some favorable circumstances	18
F) Would not go except under extreme circumstances	20
G) Would move under <i>no</i> circumstances	52
Total	110

**TABLE IX**  
**Worker Reaction to Move**  
(by age group)

Age	Might go (percentage)	Would not go (percentage)
-30	.56	.44
31-40	.74	.26
41-50	.62	.38
51-60	.41	.59
61-65]	.14	.86

**TABLE X**  
**Reasons for Not Wanting to Move**

Reason	Number of persons mentioning reason	Degree of importance				
		A	B	C	D	E
1. Home ownership and housing difficulties in Gary	40	31	7	1	1	
2. Attachments to Ellwood City (kinship, friendship, environment or organizational bonds)	33	10	16	6	1	
3. Age	11	8	2	1		
4. Pay and financial loss	22	5	8	7	2	
5. Features considered undesirable in new location	36	4	12	7	12	1
6. Distance to work	16	1	2	7	4	2
7. Seniority	17	1	7	6	3	
8. Children (schools and ties)	9	2	3	4		
9. Other				1		

*Explanation of Table.* Take, for example, Reason 1, labelled Home Ownership and Housing Difficulties in Gary. The second column shows that there were forty out of sixty-two workers who at some point during the interview spoke about ownership and housing as reasons why they were opposed to moving. In the third column the forty responses are broken down in order of importance. Thus thirty-one out of forty workers gave Reason 1 as their primary reason, for not wanting to move. Seven gave this as their secondary reason, one worker gave it as a tertiary reason etc. The same breakdown was used for the other eight general categories.

**Factors in Reasons for Not Wanting to Move**

	A	B	C	D	Total
Social factors	16	32	22	16	86
Economic factors	6	15	13	5	39
Mixed social-economic	31	7	1	1	40
Other factors	9	4	8	4	25

*Note:* Social factors include figures combined from previous table for kinship, friendship, and organizational ties. Economic factors include pay and seniority. Mixed social-economic factors are those listed previously as the "Home", "Other" factors include "Age" and "Distance from Work".

As may be seen, it is mainly the youngest and the oldest who were opposed to moving. The principal reasons for refusing were the housing problem and attachments to Ellwood City. One point regarding seniority calls for comment: although the workers interviewed did not specify particularly that seniority difficulties might be a fundamental reason for refusing to move, they obviously assumed that this question would have been settled between management and the unions, and took it for granted that whatever happened they would retain their job seniority rights. This fact was specially brought out by the interviews with the Ellwood City workers.

**Section 2: What improvements can be made in remedial action as now existing?**

Since the special measures are in general good ones, what remains to be done to improve remedial action as it now stands? As the measures themselves appear to be satisfactory, why do they yield such inadequate results, or no results at all? In the July-August 1955 number of "Economic Outlook" C. I. O.'s Department of Education and Research outlines the situation and suggests a program.

Before examining in detail this C. I. O. study, we must note the date, *July-August 1955, i. e. over six months after the Team's visit*. If we were to confine ourselves to reporting what we saw and heard during our visit, and to dealing with the state of affairs existing at that time, we should have to record that no program had been submitted, and indeed that the matter did not even appear to be under investigation. As has been mentioned, the theme-song of our informants was always the general policy of full employment. When we asked questions concerning the chronic unemployment with which we shall be dealing below, we nowhere, except from the Department of Labor and C. I. O., obtained information of the type given in the following pages. We therefore stress the date in order to make clear the exact relevance of this new C. I. O. program to our Report. At the time of our visit, the points we made, which are dealt with in the program, did not meet with the slightest response. 1955 has, therefore, seen a rapid change in the fundamental attitude recorded in our introduction and serving as the framework for this Report. We shall be reverting to this point at a later stage. We would, however, note here that C. I. O. itself stresses the novelty of this attitude: "more and more Americans are beginning to realize that chronic unemployment is a problem that necessarily calls for effective team-work — local, State and Federal" ("Economic Outlook", p. 59).

**REASONS FOR DISQUIETING SITUATION**

The graph on page 58, based on Department of Labor figures, gives the length of unemployment and the percentage of unemployed in the 19 major areas where unemployment is chronic. In addition to these 19 areas, there are 48 small areas where unemployment is also chronic.

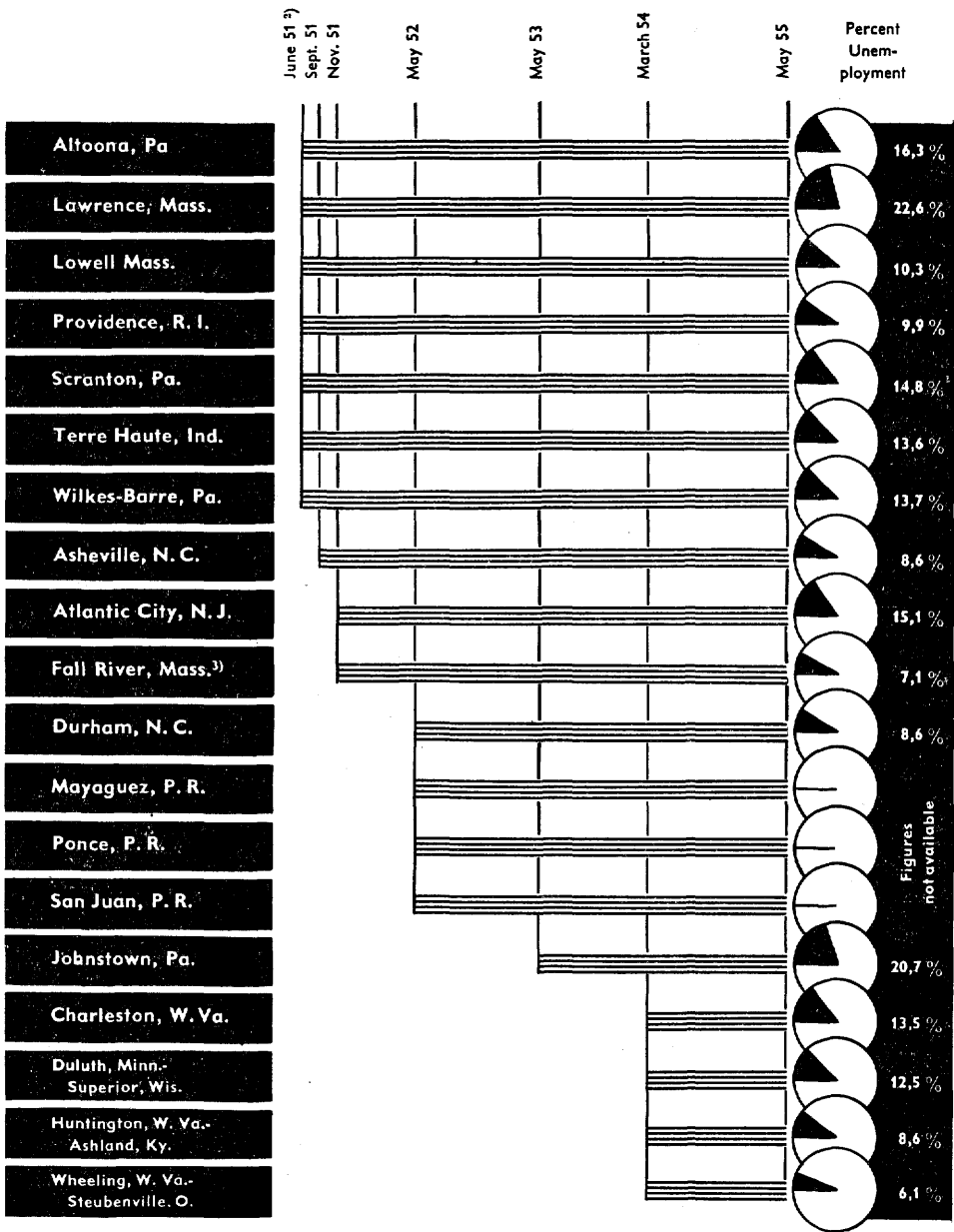
What is the reason for this situation?

C. I. O.'s Department of Research and Education attributes it on the one hand to economic and technical conditions, and on the other to negligence by the authorities.

*New economic and technical factors* are responsible for the present situation.

# The 19 principal areas of permanent labour surplus <sup>1)</sup>

Duration of official classification as area of substantial labour surplus



<sup>1)</sup> U.S. Department of Labor data

<sup>2)</sup> Commencement of registration

<sup>3)</sup> Intermittent



In the past, it was generally the exhaustion of natural resources that was mainly at the back of a community's decline. But for some years now it has usually been the rate of technological changes that has brought about, directly or indirectly, such declines. The situation resulting is something far beyond the scope of any possible measures at local level, however good they may be in themselves.

For one thing, such measures, when they introduced, cannot settle the whole of the problem; for another, they are very sporadic, and nothing is being done to fill in the gaps.

Local communities are working to collect funds and attract new activities to their areas. But there are so many problems which they cannot hope to tackle.

First of all, there is generally a certain time lag between the point when unemployment first supervenes and the point when permanent new jobs are created. It is, therefore, necessary to create temporary jobs for workers who are unemployed, and more particularly for workers who have run through their entitlement to unemployment benefit.

Furthermore, bringing new activities to an area is more difficult than it looks. It is not enough to have a labour force available and a group of citizens anxious to provide financial assistance for new enterprises. Many problems immediately arise — raw materials, transportation, sources of energy and their cost, living conditions.

Finally, when these new activities have been established, are they suited to the aptitudes, qualifications, ages, etc., of the workers available?

If these conditions are not fulfilled, local communities can hardly create them.

Nothing, or practically *nothing*, is being done by the Federal authorities to remedy these deficiencies or deal directly with the problems.

The experience of the textile industry is instructive in this respect. Unemployment in the textile industry has become chronic since the end of the war. In 1948, the textile mills employed 1 280 000 workers on the production side. By 1950, this figure was down to 1 200 000. In 1952 and 1953 it was 1 100 000. The lowest point was reached in July 1954, with 953 000 workers. The revival in 1955 only brought an increase in the number of working hours per week from 37.1 to 40.1 without a substantial rise in the number of workers employed (990 900).

The unemployment problem in the textile industry is thus a chronic one, taking the form of a final closing down of a number of enterprises. Enterprises closing down between 1946 and 1954 totalled 640 which, when they were operating, employed 168 000 workers.

Practically nothing has been done to grapple with the difficulties in which both the areas and the workers concerned are consequently finding themselves, and such regulations as there are for alleviating this distress have not been fully effective.

In September 1954, the president of the textile union wrote to President Eisenhower asking for government assistance for the textile industry. An answer was received to the effect that any suggestions from him would be welcomed. The Union forwarded a program to the Secretary of Commerce in October, which was submitted to the Joint Committee on the Economic Report. A Union delegation was received by a representative of the Department of Commerce in February 1955, but the sole result was that embodied in a letter from the Department of Commerce rejecting any suggestion of government intervention in the internal affairs of private industries, and urging all such industries to cope with their difficulties themselves. Thus the Federal authorities did not admit the need for assistance to areas in a state of depression owing to the crisis in the textile industry.

It was, however, evident that a great many people had exhausted their unemployment benefit. Thus in Lowell, Mass., out of 5 200 unemployed workers only 3 613 (= 70 percent) were receiving unemployment benefit. In Lawrence only 6 070 were receiving benefit out of 12 100, in New Bedford, 6 152 out of 8 350, and so on.

What, then, is to be done to deal effectively with the difficulties existing?

The broad outlines of the C. I. O. program are as follows.

#### MINIMUM PROGRAM PUT FORWARD BY C. I. O.

Quite apart from action to be taken to ensure that the problem does not arise (see Part Two of this Report), where an area is in difficulties something obviously has to be done first of all at local level. But technical assistance has to come from outside too to broaden local opportunities for inquiry and for financial aid to any enterprises which might be encouraged to settle in the area. Outside help is also needed to provide temporary employment for workers pending the creation of new permanent jobs. And finally, outside help is necessary for the retraining of workers to fit them for the new jobs which will be offered them.

Thus the problem is to a great extent a Federal one. Consequently, action by the Federal authorities is needed. As regards the form to be taken by such action, C. I. O. suggests the following minimum program.

#### A CENTRAL AUTHORITY

A special agency — for instance, a “Federal Community Development Authority” — should be set up in Washington to direct and co-ordinate all forms of Federal assistance to depressed areas. The head of this agency would act as chairman of an “Interagency Advisory Committee” representing all Federal Government agencies which would be called upon to contribute toward assistance to depressed areas. He would also arrange

meetings with a "Public Advisory Committee" of representatives of the workers, the manufacturers and the State and local authorities, to which reports would be submitted at frequent intervals.

#### TECHNICAL ASSISTANCE

Substantially increased Federal assistance would be given to local and State Committees for the development of the communities in difficulties. Such assistance would be used for surveying the industrial possibilities of the area concerned and the market, and for assessing the requirements of the industry and the community; advice would be given as to financing methods, and there would be help in deciding upon the type of sound enterprise which could contribute toward a revival in the depressed areas.

#### PUBLIC WORKS

It would be a help in making the areas concerned more attractive to new enterprises, and at the same time in solving the problem of the waiting period for the unemployed workers, to step up the public works program in the depressed areas.

Absolute priority should therefore, be given to depressed areas in the allocation of building contracts financed in full or in part by the Federal authorities. Special financial assistance would have to be granted for this purpose to the States or local communities concerned.

#### LOANS FOR PRIVATE INVESTMENTS

Loans should be granted to private investors building new works or extending existing plant in areas of chronic unemployment. These loans would be given when no other adequate funds were available. They would be for a period of not less than 40 years, and would cover at least two thirds of the building costs. Federal loans of this type would not, however, be granted to any enterprise leaving a depressed area or, by its departure, causing the area to become depressed.

#### TAX RELIEFS

Manufacturers buildings or extending works in a depressed area would be granted certain tax reliefs.

#### ORDERS

All Federal Departments and Agencies, and the Defense Department, would do their utmost to see that contracts were placed in the depressed areas. Production for Government requirements (ordnance, ships, etc.) would be kept at the highest possible level in the depressed areas.

#### VOCATIONAL TRAINING AND TRANSPORTATION

Funds should be made available to Federal, State and local vocational training offices, to finance special retraining programs. In addition, when an unemployed worker was unable to find work locally but had a suitable offer of employment from another area, he would be paid the sums required for transportation of himself, his family and his belongings. These training and transportation expenses would be met out of the Federal Unemployment Account, constituted by employer's contributions.

#### UNEMPLOYMENT BENEFIT

Benefit was inadequate as regards both duration and amount in all States, and a Federal minimum should be fixed forthwith. Moreover, unemployed workers in the depressed areas should be granted extended benefit over a longer period.

#### RETIREMENT

The Federal retirement system would be amended so that the older workers thrown out of the work could get their pensions before the age of 65.

## PART TWO

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### **PREVENTIVE FULL EMPLOYMENT POLICY AND READJUSTMENT**

The special measures for re-employing labour which we have just described have been shown by experience to be a necessary complement to the general employment policy.

*Hitherto*, the main emphasis has been on the *secondary importance* of such measures, which have legged a long way behind action on behalf of employment proper.

*Henceforth*, the problem is to know exactly how the two *complement* one another, and how employment measures dovetail with the full employment policy.

We shall deal first, in Section I, with the component elements of the full employment policy in the United States.

As will be seen, measures to provide employment are an integral part of the American system. Thus we shall be dealing in this part of the Report not so much with the actual re-employment of labour as with *the structural aspect of that re-employment*, i. e. the *readjustment* of enterprises and sectors of industry.

In Section II, we shall go on to examine what importance is at present accorded, and may be accorded in the future, to readjustment of this kind within the framework of the full employment policy.

## CHAPTER ONE

### COMPONENT ELEMENTS OF THE FULL EMPLOYMENT POLICY IN THE UNITED STATES

The crisis of the thirties is a perennial bogey in the United States. Everybody acts very much upon the conviction that no stone must be left unturned to prevent its recurrence.

The outcome of this conviction and consequent action is a cardinal feature of the situation. Just as the crisis convulsed the entire American economic system, so the prevention of another crisis, by way of a policy of full employment, likewise runs right through the entire system. *The full employment policy moulds the whole of the American economic system.*

*Firstly*, both the full employment policy and the system as a whole are based on the development of demand (see Section 1). *Secondly*, the essential components of the system are adapted to the requirements of the basic principle (see Section 2).

#### Section 1: Demand, the mainspring of the system

"Many names have been suggested for the American economic system. To some it is a 'capitalist' system, to others a 'profit' or 'free enterprise' system. I have referred to it myself as 'democratic capitalism'. But everybody will agree that, above all, our economy is a 'system of demand'."

This observation was made by Mr. J. McDonald, president of the United Steelworkers of America, in his report to the U.S.W.A. Convention in 1954.

And in fact, everyone we met in the United States emphasized very strongly this feature of the American economic system.

It is a system of demand: that is, *its mainspring is the consumers' purchasing power.*

And it is a system of full employment, since the full employment policy also depends on the consumers' purchasing power.

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*Visit to the headquarters of the United Steelworkers of America (C.I.O.) in Washington.  
From left to right: MM. Buiters, Cros and Sala.*

1500

— UNITED —  
STEELWORKERS  
OF AMERICA

—  
DAVID J. McDONALD  
" PRESIDENT "

—  
I.W. ABEL  
" SEC. - TREAS. "

JAMES G. THIMMES  
VICE PRESIDENT









Admittedly, we may discern in this basic principle a synthesis of the teachings of Taylor, Ford and Keynes. But it is not a theoretical principle, a hypothesis on which a policy has been erected. On the contrary, it is *the result of experience*. It has emerged gradually from the course of events itself, and more particularly from the crisis of the thirties.

In outline, the system is as follows: *the opportunities created by production techniques must be exploited to the full, and to this end it is necessary that demand should be increased to a point where everything produced is consumed.*

We shall first of all go over the different points of this outline, and then consider the requirements of the system.

#### ANALYSIS OF THE SYSTEM

The following is a brief analysis of the system as it has developed in the United States.

(1) *The great point at the outset in the United States is the initial scarcity of labour and the high wages paid. These two factors, high pay and few workers, were an encouragement to manufacturers to make the maximum use of all technical resources.*

*Technology thus became the foundation-stone for everything else.*

The use of technical production methods means that as the quantity produced goes up the production cost of each unit produced goes down. This is well known to be the advantage of mass production. <sup>1)</sup>

*The second important point is competition among producers. It is to the interest of every producer to produce the quantity at which production costs are lowest (optimum quantity), since this enables him to quote the lowest price and hence to attract the greatest possible number of customers. For the same reason, it is to the interest of every producer to employ all new technical methods enabling him to cut production costs, and consequently his prices, still further.*

---

<sup>1)</sup> However, above a certain quantity the production cost of each additional unit begins to increase: this point thus represents the *optimum production quantity*. Beyond this figure, mass production becomes progressively less advantageous; on the other hand, so long as the quantity in question has not been attained, the advantage lies in increasing production.

These, then, are the two basic facts. *It is at this juncture that demand comes into play.* Henry Ford was the first to demonstrate its importance. It was not realized immediately how right he was, but experience has revealed the vital importance of demand.

(2) *Demand is of paramount importance.*

If the *consumers willing and able* to buy the commodities produced are sufficiently numerous to absorb lowest-cost mass production, there is no problem for the producer: he sells everything he produces, while the purchaser gets the lowest prices.

When, on the other hand, the *consumers willing and able* to buy are not sufficiently numerous, both sides are the loser. If the producer steps up production to the point where costs are lowest, he will be producing too much for lack of corresponding purchasing power on the part of the consumers. He incurs losses, and is obliged to raise his prices and reduce his output. As the products become dearer, some consumers who were formerly in a position to buy can no longer do so, the number of customers becomes smaller still, and the producer finds himself in fresh difficulties. Thereupon economic activity shrinks further and further as various consumers and various producers in turn fall out of the running. Thus there are losses all round.

It is obvious, therefore, that for the economy to work to the general advantage, demand must be such as will encourage the producer to produce at optimum level. In other words, *lowest-cost production must coincide with demand ready and able to absorb it.*

The experience of the thirties brought this home to the Americans. They realized that everything possible must be done to ensure that demand should equal lowest-price supply.

#### THE REQUIREMENTS OF THE SYSTEM

It is not proposed to deal here with disparities between supply and demand due to fluctuations in the economic situation; so we shall not be going into trade adjustment policies. We are here concerned solely with the system itself, and accordingly with the structure of that system. The problem is that of fundamental harmony of supply and demand, i. e. the fundamental adjustment of demand to supply, taking the potentialities of technical progress as the basic premise.

(1) *Where demand is too small, it must be increased.*

Only by increasing demand is it possible to increase production and reduce prices, for the benefit of all concerned.

There are *two main methods* of increasing demand — by raising the number of consumers, and by raising their purchasing power. The two can, of course, be employed simultaneously.

(a) Increasing the number of consumers

The increase in the population helps, of course, to increase the number of consumers. At the same time, it must be borne in mind that the increase in population is accompanied by an increase in the working population.

*The most direct method* is what is termed in the United States *shifting the prosperity border*. By this is meant bringing to prosperity certain areas or sectors formerly ranking as under-developed or depressed. To bring about this shift in the prosperity border, purchasing power is created by direct assistance to such under-developed or depressed areas and sectors, or alternatively new industries are established in such areas. The two methods can be, and frequently are, used simultaneously.

(b) Increasing the purchasing power of existing consumers.

This method is typical of the American system: it consists in stepping up consumers' purchasing power to correspond either with advances in production already achieved or with advances which will be made possible by the opening-up of new markets in response to increased demand.

Where purchasing power is increased to correspond with advances actually achieved, production is maintained. Where purchasing power is increased to correspond with advances which it is hoped to achieve, production is expanded.

This increase in purchasing power is brought *about in two main ways*:

(i) *by raising wages* to a level where the resulting demand itself provides the new outlet for production (thus incidentally enabling any time lag on production achievements or potentialities to be made good);

(ii) *by linking wages to the increase in productivity*, thereby helping to maintain the rate of expansion of the economy as a whole.

(2) *Accordingly, an economic community desirous of raising the standard of living and avoiding under-employment.*

(a) must not allow any technical capacities to remain idle.

Which occurs when inadequate use is made of existing techniques, or when new ones are not used at all.

(b) must exploit all the possibilities of increased demand

Where there is a group of *potential consumers* in under-developed areas and in the community as a whole — i. e. consumers who lack purchasing power, or who are unemployed or under-employed — it is necessary to launch a demand policy. This is an *immediate stepping-stone* to the policy of expansion.

*When an economic community is neither making full use of the opportunities offered by technology, nor carrying on a policy of increasing demand, it is letting slip its chances of ridding itself of under-employment and securing an improvement in the standard of living.*

*This might be taken as implying that, once the principle has been grasped and accepted, it only remains to take the decision to introduce it, to opt for a demand policy, for that policy to be put into effect forthwith. American experience has shown, however, that this is not the case.*

*The application of the principle means that the component elements of the economic system must take certain particular forms in order to comply with the requirements of a properly functioning demand system.*

We shall now consider the manner in which the component elements of the American system have been adapted to the requirements of the demand principle.

## **Section 2: Adaptation of the components of the system to the requirements of the demand principle**

*To begin with, it is essential to clear up certain misunderstandings which too often occur in connection with the American economy.*

The two main ones relate to productivity and to the large market.

*Productivity: what it is and what it is not*

When we think of American productivity, what springs to mind instantly is technical output. We think of production by working units, whether mechanical units or units of work performed by the workers themselves. And the conclusion that suggests itself is, we must achieve a productivity — that is, an output — as high as that in the United States, and then we shall have the same standard of living as the Americans.

*Every one of those we met in the United States emphasized that this conception of productivity was a completely mistaken one.*

Productivity, they said, is an economic result of the demand system as a whole — that is, of the way in which the component elements of the system are adapted to the requirements of the demand principle. It is quite wrong to look at it only from the technical angle. Technical potentialities and technical progress mean nothing unless there is a market so that they can be used to advantage. They mean nothing unless there is a demand to absorb the production resulting from technical methods.

Productivity, therefore, depends on the organization, in accordance with the principles of the demand system, of the three key-factors of the American system — competition, wages and technical progress. The three are quite indissociable.

We shall see, in this Section, how these three strictly interdependent key-factors are organized under the American system.

*The large market.*

When the principles of the demand system as understood and applied in the United States were outlined to us, we made a point of asking, "Is there not an essential connection between the application of the demand principle and what is generally known as 'the large American market'? Is not the large American market indispensable if the principle is to be applied at all?" The answer was always that we must take care not to think of the large market in a purely geographical sense.

Analyzing the demand system, we see at once that *the size at which the large market is most valuable depends on the requirements of the technical side.* The normal utilization of technical facilities presupposes utilization at a certain level, i. e. the production of a certain quantity of commodities. It further presupposes a certain stability of that level: in other words, the market absorbing the commodities produced must be of a certain size, and that size must not be merely an occasional one.

Thus the large market is not simply a market extending over a particular geographical area. *It is also, and more particularly, a market enabling the fullest use to be made of technical potentialities, by practical application of the demand principle.* It is not an integral factor of that application, but rather its outcome.

*The enterprise as the cell of the American system*

It is within the enterprise itself that we have co-operation or conflict between those responsible for technical advance and the big body of consumers constituted by the workers.

We were particularly struck by one thing, the way in which the management and workers of each enterprise formed a single team.

Although there are sometimes conflicts, indeed very violent conflicts, between the two, they are generally in full agreement on one fundamental issue, namely that the future of the enterprise and of the workers depends on both sides' continuing prosperous. They feel committed, as a team of management and workers together, to carry on competition with other enterprises.

But the team has no permanently fixed rules. Its very existence is based on continual give and take. Ensuring its unity is an ongoing process both of settling disputes as they arise and of co-operating all the time in the management of the enterprise.

*Collective responsibility*

Around the enterprise and within the large market we find the three key-factors of the system — competition, wages and technical advance — organized to meet the requirements of the demand principle and ensure a high standard of living for the American people, which is a prerequisite as well as a consequence of high productivity.

Responsibility for adapting each of these key-factors to the requirements of the demand principle lies with the enterprises, the unions and the authorities.

In practice, it works out almost as if there had been a specialized allocation of responsibilities: the authorities to deal specially with competition, the unions to take the lead in regard to wages, and the enterprises to be mainly responsible for technical progress.

*But this specialization only operates because there is agreement in practice as to each party's collective responsibility: each in its own field acts in the common interest of all concerned. This agreement, which bears up the enterprise, also bears up the American system.*

We shall now go on to examine in turn how the three key-factors, competition, wages and technical advance, are adapted in accordance with this agreement, to the requirements of the demand principle.

**COMPETITION**

*The geographical extent of the market is a valuable factor. The requirements of modern technology are such that a producer market employing all the main technical methods can hardly be compressed to the size of certain of the countries which exist in the world today. If there is to be normal technical utilization of production facilities, sales outlets cannot be left at the mercy of, for instance, Customs regulations or the vagaries of quota systems. If there were no Custom barriers and no quotas anywhere, we may be sure that there would be no problem regarding the size of the market.*

However, Customs barriers and quotas do exist, and there is no getting away from it. It is therefore important that a market within which there are none should be of a size suited to the requirements of the technical methods employed there. The fact that the United States has 160m. consumers is particularly fortunate in this respect. If there were fewer consumers, many production sectors would be unable to make proper use of their production facilities. They would produce below their capacity, at a higher cost, and the result would be a lowering of the standard of living.

But 160m. consumers do not automatically mean a large market. *The 160m. consumers must also be genuinely in a position to buy the goods produced. Consequently, it is essential, firstly, that all obstacles between the technically possible production and the consumers should be eliminated,*

and secondly, that the consumers should actually possess sufficient purchasing power to be genuine buyers. We shall be dealing with this second condition in connection with wages.

Elimination of the obstacles between the technically possible production and the consumers means that *there must be true competition in the market.*

Free competition between producers or their representatives depends mainly on the alertness of the authorities, for it is the authorities who are responsible in this respect. It entails, firstly, the elimination of impediments to the movement of goods, and secondly, safeguards against restrictive practices by producers or their representatives. Demand must not be impeded either by the producers or by the authorities themselves. No compartmentation or partitioning of any sort or kind must exist within the market, or there will never be a large market in the true sense at all.

One of the fundamental conditions for the American demand system is, therefore, that the authorities should safeguard the proper interplay of competition.

The manufacturers and labour union leaders whom we questioned assured us that there was genuine competition in the United States. Even though the Sherman Act was not 100 percent effective, the vigilance of the Supreme Court and the realization by American manufacturers just what the demand system involved, were making it possible to maintain competition which could on the whole be regarded as effective.

#### WAGES

As has been seen, *if there is to be a large market there must also be consumers with sufficient purchasing power to be genuine buyers.* The purchasing power of the wage-earners is a determining part of the purchasing power of the market generally. Consequently, it is above all the existence of a substantial purchasing power on the part of the wage-earners which fulfills the second condition for a large market.

Even when the geographical size of the market answers the technical requirements, and when there is no impediment to the movement of goods, it can only be truly described as a "large market" if the purchasing power of the wage-earners is strong enough to absorb the goods produced. *As well as breadth, the market has to have depth. And depth is at least as essential as breadth.*

How is this new dimension of the market — this depth — obtained?

Here again, there has to be concerted action by the enterprises, the authorities and the unions, but this time it is the unions which play the decisive rôle. We shall deal in turn with the action of the enterprises, of the authorities, and of the unions.

Since wages are, as we have pointed out, a most important item in the whole operation of the demand system, it is obvious that *the unions occupy a central position in the organization and functioning of that system*. Indeed, it is around the unions that the demand system is built up.

#### ENTERPRISES

The purchasing power to which we refer is not that of a few privileged wage-earners, but that of all wage-earners. It is not enough for a particular enterprise to pay high wages to its workers or a proportion of its workers. What matters is that high wages should be paid by all enterprises to all their workers.

This can only be done provided two conditions are fulfilled — a negative condition, that enterprises shall not wage competition in respect of wages, i. e. that *wages shall not be a factor in competition*, and a positive condition, that enterprises shall pay their workers *wages high enough for the resulting purchasing power to enable optimum production to be marketed*.

If these two conditions are to be fulfilled, it is necessary first of all that there should be a consensus of opinion among the enterprises on the points at issue. The basis for such a consensus is, in practice, the appreciation of exactly what the demand system involves. The team spirit which we found in American enterprises is the outcome of this community of views.

Secondly, it is necessary that union action should be adapted to this team-work within the enterprise, and to the conditions required for there to be a balanced result in the large overall market.

Finally, it is necessary that the authorities should work to see that general circumstances are such as to encourage the enterprises and unions to act in accordance with their agreed opinions. We have already dealt with the work of the authorities regarding conditions of competition. After examining the rôle played by the unions, we shall study yet another aspect of the duties of the authorities.

#### UNIONS

“What’s good enough for America is good enough for C. I. O.” ran the C. I. O. slogan on the walls of the hall where the C. I. O. Convention was held in Los Angeles.

On this principle C. I. O. bases all its action, and it is certainly the right one for a labour union under a demand system. It implies that in whatever action they may take unions must always bear in mind the effect of that action on the economic situation of the country as a whole. The conclusion presents itself immediately: *it is essential that the unions should at all times be intimately acquainted with the economic situation of the country as a whole*. It is impossible for the unions to function as



they should unless they possess a detailed knowledge of American economic conditions, both at Federal and at local level. This is imperative for all unions under a demand system, and applied to both union organization and union action.

1. — *Union organization.*

“Organize, organize, organize!” answered Philip Murray, president of the United Steelworkers of America, when asked how the demand principle could be effectively implemented by the unions.

He meant that it was because the unions had managed to organize not a mere two or three million but over seventeen million workers that they had achieved the results they had. But he meant also that the future of the system depended on the advance in union organization among the workers.

How, then, are American unions organized so as to fulfill their function under the demand system? Their organization has a dual aspect, administrative and economic.

a) *Administrative organization*

The three biggest American labour unions are all organized more or less on the same lines. We propose to take as an example the United Mineworkers, covering a single homogeneous sector, that of the coalmining industry.

The personnel of each colliery constitute a *union local*, headed by officers (president, secretary and treasurer) who are assisted by a number of advisors. The officers are elected for a year, by secret ballot of all the union members. The union locals of a particular neighbourhood together form a *sub-district*, and all the unions of a district form a *district union*, whose main task is to co-ordinate the work of all the union locals.

The *district union* is also headed by a president, a secretary and a treasurer. These officers are assisted by a committee representing all the union locals in proportion to the size of their membership. The officers are elected not from among the members of the district committee, but directly by secret ballot of all union members in the district. The district union is acquainted with all the problems of the union locals under its jurisdiction. Its job is to give them common directives, particularly when the time comes for drawing up the yearly collective bargaining agreements. *It organizes collective action at district level.*

*At national level*, United Mineworkers is headed by an Executive Committee, whose function is to represent the miners' interests in all relations with the Federal Administration and the Mineowners' Associations.

The president and members of the Executive Committee are elected by the whole body of miners. They are assisted by a Political Committee

the members of which are elected from among the representatives of the district unions, and whose function is to study all matters concerning union action, and particularly all questions relating to wages. No union representative, even at local level, can be relieved of his post during his term of office without authorization from the Executive Committee.

The *highest authority* of United Mineworkers is its Congress, which meets every four years. Each union local may send a delegate, and the Congress may thus run to as many as 3 000. The general corpus of decisions taken by the Congress determines the future action of United Mineworkers. The Congress is the body which defines the social and economic policy to be pursued in time to come. Any delegate may move a resolution before the Congress provided he tables the motion a week before the first session, and provided it has been approved by the Political Committee.

The financial requirements are covered out of membership contributions, each member paying \$ 4 a month, of which \$ 2 go to the national organization, \$ 1 to the district, and \$ 1 to the union local.

The Congress of Industrial Organizations and the American Federation of Labor have each a number of organizations of the type described, each of them representing either a trade (A. F. of L.) or an industry (C. I. O.), e. g.

C. I. O. iron and steel industry, automobile industry, oil industry, farm machinery industry;

A. F. of L.: printers, truck-drivers and store-handlers, shop-assistants, building workers.

This type of administrative organization ensures permanent contact between the base, in all sectors and localities, and the executive bodies of the union. Deriving as it does ultimately from the locals, the central executive can act at Federal level in full awareness of individual situations. At the same time, when considering problems at Federal level, it can co-ordinate and guide action by the locals in the general interest. The risk of conflict between different areas in the large market can thus be obviated. *There is co-operation in establishing a union policy for the whole market.*

#### b) Economic organization

Parallel with the administrative organization of the labour unions in the United States, *there is a system of economic and social studies*. Thus, there are local research bureaux, trade research bureaux (e. g. the research bureau of the United Steelworkers of America), and a central research department.

These bureaux are engaged on a continuous analysis of all aspects of American social and economic life, and the system enables them to act

with full knowledge not only at local but at Federal level, and genuinely to put into practice the slogan adopted by C. I. O. Thus:

(a) when they carry on discussions at Federal level, either with the authorities or with organizations of enterprises, they are just as fully and accurately informed on the economic and social activity of the United States as their opposite members;

(b) in the same way, when they discuss matters at local level with the authorities or the enterprises, they can bring to bear their information regarding the local situation and their knowledge of the scope and limitations of the local economy within the Federal economy;

(c) by publishing literature, monthly or more often, they can keep the workers at all times abreast of the economic and social situation, both local and Federal. These publications thus establish permanent direct contact among all union members at all levels. The workers are directly and effectively associated with all stages of union action.

## 2. — *Union action*

It is not possible, or indeed necessary, to go into details of the work of the American unions, which covers every aspect of economic and social activity. Three examples will suffice to give an idea of the rôle which the unions play — one of the unions in contact with the authorities at Federal level, and two of them at work in and for the large market.

a) C. I. O.'s ten-point program for arresting the spread of unemployment

In 1954, C. I. O. submitted a ten-point program drawn up by its Economic Policy Committee

This program points out that since mid-1953 production potential has begun to outstrip consumer potentialities. Since full employment and an expanding economy are not only possible but necessary to the United States, C. I. O. proposed

- (1) reduction of taxes on the low and medium family incomes;
- (2) increase in the minimum wage: "the millions of American families with incomes below \$ 3 000 per annum are the biggest market still closed to sales of all types of goods";
- (3) legal encouragement for collective bargaining agreements;
- (4) improvement of the unemployment benefit system<sup>1)</sup>;
- (5) a housing drive by the Administration, both through an increase in public building and through assistance to private building;
- (6) improvement in social security, as being "one of the quickest ways of getting the money into the hands of a large section of

<sup>1)</sup> Details of this item were given in Part One of this Report.

the population who will spend practically all of their increased income”;

- (7) increased aid to farming, which is one of the bases of prosperity;
- (8) improvement in the allocation of, and terms for, loans to small industries, local authorities and State governments;
- (9) preparation of a public works program for use should the economic situation become worse;
- (10) preparation of local programs for supplementing action at Federal level. For this purpose, C. I. O. proposes that union full employment committees be set up without delay in each State. It concludes, “Working at both local and national level, C. I. O. members and their organizations can help to bring the nation back to full employment.”

#### b) The job evaluation system

Wages must not be used as a means of competition among enterprises. It is, therefore, necessary to establish, as far as possible, an objective comparison of different types of work. The more widely this system is introduced in the market, the less frequently we shall come across cases of unequal pay for equal work, and the less possible it will be to use variations in wages as a means of competition. It is the establishment of this kind of objective comparison that is the aim of the job evaluation system.

The aim in job evaluation is to compare various types of work in order to determine their relative importance, so that the basic rate paid for each will allow for the required degree of skill, effort, responsibility and occupational risk involved. Job evaluation, therefore, consists in assessing the value of a job and not of the man who does the job, and in assessing at the same time the comparative value of different jobs in relation to one another.

This value is expressed in conventional units serving to determine in terms of money the rate of pay represented. All arbitrariness in the fixing of wages is avoided, as the system is based on experiment and demands the co-operation of workers and management alike.<sup>1)</sup>

<sup>1)</sup> “Job evaluation” consists in actual fact of four complementary operations, viz.

“job analysis”, detailed time and motion study of a job to find its component elements and the human qualities needed to perform it;

“job description”, the description of the job bearing in mind the job content previously analysed, its character, and the degree of effort involved, the object being to standardize the operations involved;

“job classification”, classification into groups and sub-groups of jobs with the same characteristics;

“job evaluation” proper, the establishment of a scale of values for each occupation thus analysed, standardized and classified.

A job evaluation system of this kind has been introduced in the iron and steel industry during the last few years.<sup>1)</sup>

C. I. O. (representative union) and the enterprise were agreed as regards introducing the system, which was expected to do away with 90% of the bones of contention existing within enterprises. They were not agreed as regards the field in which it was to be introduced. The enterprises wanted individual systems in each case. The union insisted on one system for the industry as a whole.

The dispute came up in 1944 before the National War Labor Board. The Board did not see eye to eye with C. I. O. However, when the union delegates and the United States Steel representatives negotiated a system for one enterprise, it was agreed that the result of their endeavours might serve as a model for the other big steel concerns. This was, in fact, what happened: all the other big companies adopted exactly the same model. The result of union action in this instance was a harmonious evaluation of the jobs in the iron and steel industry for the whole of the American market, and consequently wages could no longer be used for purpose of competition between enterprises.

### c) Collective bargaining agreements

The rules and regulations for the team formed by the enterprise, i. e. the management and its workers, are laid down at regular intervals in "collection agreements". They have to be observed by both sides for the duration of the agreement.

Collection agreements are between the management and the union representing the workers. A union is "representative" when it has been designated by a majority of the workers, whether they are members of that union or not.<sup>2)</sup>

<sup>1)</sup> For wages in the coalmining and iron and steel industries see Annex IV.

<sup>2)</sup> There are various rules for belonging to a union within the enterprise. The principal types of membership are

- (a) "closed shop", where all the workers have to be members at the time of engagement, and to maintain their membership throughout their employment;
- (b) "union shop", where workers need not be members at the time of engagement but must become members within one month or two months thereafter, and maintain their membership throughout their employment;
- (c) "union shop" with priority of engagement, where union members are engaged in preference to non-members, and the union is itself frequently responsible for engaging them;
- (d) modified "union shop", where workers who were employed before the union shop was introduced are not obliged to become members;
- (e) maintenance of union membership, where all workers who are members at a given moment after the signing of the agreement, and all those who are to become members, must maintain their membership for the duration of the agreement. This condition sometimes means no more than payment of the union subscription.

When the minimum overall volume of wages for the whole of the American market has been worked out by the central research bureau of the union, it is up to the relevant labour union, e. g. the steelworkers' union, to draw up with the iron and steel enterprises the wage scale and conditions of employment for a specified period.

In theory, each enterprise negotiates with its workers' representative union. In practice, the same system as prevailed in regard to job evaluation has grown up in regard to agreements, viz. the agreements in each enterprise are drawn up on the basis of a standard model.

Collective bargaining agreements in the trade are thus in practice negotiated between the representatives of the companies (a company may include one or more enterprises) and the representatives of the unions (national, district, local and enterprise). In this way, they are drawn up with due regard for the working conditions in the trade in general and for the local conditions prevailing in the enterprises. Thus an agreement entered into by a company controlling a number of enterprises will, when fixing wages, make allowance for conditions in the best and the worst of the company's enterprises.

There is no question of making special conditions for each enterprise: where the least satisfactory enterprise seems likely to run into difficulties because wages have been fixed too high, it is up to the company to make the necessary adjustments between that enterprise and its other more successful ones. Only in very special cases are exceptional conditions made for the worst-off enterprises, and then only for a limited period.

This system whereby wages and conditions of employment are fixed by collective bargaining has a dual value:

(1) The collective bargaining agreement is a guarantee both for the management and for the workers that there will be no *arbitrary disputes while the agreement is in force*. Any possible grievances are provided for in the agreement, and are backed by a procedure protecting the interests of both parties. Thus confidence is established within the enterprise, and team-work becomes the order of the day.

(2) The standardization of the agreement within the trade is *an additional contribution to the establishment of foundations for the large market*: wages and conditions of employment are not to be used for purposes of competition among enterprises.

#### THE AUTHORITIES

The roots of the American system lie in the relation between the enterprises and the unions. At the same time, the authorities also perform an indispensable function.

*It would appear that the system is developing toward increased responsibility on the part of the authorities.* We have already seen the role they play as regards the establishment and observance of conditions of competition. We also see the role they are asked to play by C. I. O. in the program outlined above — a program addressed essentially to the authorities, indicating a possible line of action for them to ensure that the demand system really works.

We further saw in Part One how the unions depend on the authorities to improve the operation of the system and deal with the problems of readaptation.

Thus, while action by the authorities in the economic and social fields has hitherto been mainly concerned with prevailing trade conditions<sup>1)</sup>, they are being asked more and more to carry out structural adjustments. It is clear, therefore, that action by the authorities is of decisive importance, under the demand system, for the practical solution of readaptation problems. This point will be dealt with further in Section II.

#### TECHNICAL PROGRESS

*With every effort being made to absorb the production which is made possible as a result of technical progress,* the enterprises are helping to raise the standard of living by continuously improving their production methods. It is the enterprises which are mainly responsible for technical progress and for the introduction of that progress into the production process — a well-known feature of the American system. Their efforts in this direction are seen in what they are doing in the field of research and on the management side.

#### TECHNICAL RESEARCH

Today, some 2 550 industrial and commercial enterprises have their own research departments. These departments vary a good deal in size: 12 enterprises employ a research staff of over 1 000, while at the other extreme 240 small firms have only two research workers, or even one. Taken as a whole, close on one-half of American research workers are employed directly in enterprises' laboratories. The other half are working in Federal research organizations, co-operative laboratories set up by certain trade associations and various groups of enterprises, or in private technological research organizations either profit-making (consulting engineers' bureaux) or philanthropic (technological research institutes).

The development of laboratories and industrial organizations specializing in pure or applied research was very slow to start with. The real expansion in the various research bodies began in 1916, as a result

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<sup>1)</sup> They have wide powers in this connection which we need not enumerate here.

of the economic activity brought about by the war. Since then, the specialized staff of the industrial laboratories proper (exclusive of public and university research workers) increased in number from 8 300 in 1920 to something like 145 000 in June 1952.

The funds set aside both by industry and by the Administration and various private bodies for the pursuit of technical research rose by 15 000 percent over the same period. It is estimated that the big firms allocate approximately 6 or 7 percent of their turnover to their annual technical research budget.

#### MANAGEMENT OF THE ENTERPRISE

In the United States, management is regarded as an exact science. It is taught methodically in all universities and high schools aiming to train heads of firms. It is also included in training programs within the enterprise, which explains why it is possible for any non-technical employee starting at the bottom of the ladder (Fairless, for example) to become president of the board if he successfully completes such training.

Management, administration and organization methods are regularly pooled between companies, at meetings organized by the American Management Association, at which heads of enterprises, engineers and foremen describe their individual experiences.

Another feature of management in the United States is *the share which the workers and representative unions are liable to take in it*. This is a direct instance of the team spirit we have so often emphasized. No decision is taken affecting the workers, or indeed the working of the enterprise generally, until the union has had an opportunity to state its views. In particular, all the financial accounts of the enterprise are available to the union on request.

This openness and permanent co-operation are unquestionably to a great extent responsible for the establishment and maintenance of the excellent spirit we found in American enterprises, where we were able to talk at one and the same time with representatives of the management and of the union round one table.

Such, in broad outline, is the way in which the American economic system is organized and adapted to the basic requirements of a demand system.

By establishing a competitive market, fixing a high general wage level, and carrying on constant technological research, the authorities, the unions and the enterprises together co-ordinate their action to create the large market which is the goal of the American demand system.

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The "Coal" group welcomed by Mr. John L. Lewis.

From left to right: MM. Reynier, Goebbels, Wachtel, Walbruch, Schnippert, Decot, Bornard, Grégoire.

Seated: MM. Baré, John L. Lewis and Petre, team leader.







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## CHAPTER TWO

### THE ROLE OF READAPTATION IN THE FULL EMPLOYMENT POLICY

The full employment policy has shaped the American economic system, the component elements of which have adjusted themselves to the requirements of the demand principle. Yet, as we have seen (Section 1, I), *there does exist in the United States an amount of unemployment greater than that usually accepted as the normal margin in labour fluctuations*. In particular, certain areas and certain sectors have decidedly high rates of unemployment.

The systematic full employment policy was introduced in the United States, though still in an inchoate form, at a time when the crisis of the thirties was at its height. Yet, as we have also seen (Section 3, I), the difficulties in some areas and sectors have long ceased to receive attention from the authorities or even from the unions. Empirical measures have, of course, been introduced, but it was only recently (as we have mentioned, it was in fact only after the end of our visit) that C. I. O. devoted a special study to the subject and put forward a program of action.

This is a dual paradox which we should first of all elucidate. We shall be dealing in Section 1 with causes and symptoms. As we shall see, there is a positive routine in full employment against which readaptation action must be taken.

At the same time, we have also seen that when C. I. O. submitted its program for dealing with readaptation problems, it regarded the program as part of the full employment policy. The whole American economic setup of a demand system, and hence a system for a full employment policy, of its nature led C. I. O. to tackle things from this angle.

The question which thus confronts us is *what contribution a readaptation policy can make to the full employment policy, and how the readaptation policy can take root in a system like the American one*. This problem will be dealt with in Section 2, in which we shall endeavour to relate readaptation to its proper context in full employment as a whole.

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Open-cast mining at the Hannah Coal Company, Georgetown (Ohio).

In the foreground : MM. Grégoire, Goebbel and Bornard with mining engineers.

### Section 1: Readaptation against routine

The systematic pursuit of a full employment policy in the American economy, with a view to getting out of the crisis of the thirties and preventing it from ever recurring, has produced remarkable results. We all know the high levels reached in American industrial activity, the high incomes of the American people, the high American standard of living. And yet, as we have seen, there is unemployment, and those who are out of a job have only temporary safeguards. *It is prosperity* which is largely responsible for this inattention to the fate of those people who lose by the play of competition.

Since 1940, the United States has had prosperity and everything has looked easier. New techniques have come in place of the old, without detriment to the workers' interests. The economy has been expanding, and most difficulties have been absorbed.

Solomon Barkin, Research Director of the Textile Workers' Union of America (C.I.O.), describes the frame of mind prevailing during this period in an article published in 1950 in the Proceedings of the Third Annual Meeting of the Industrial Relations Research Association. "The prevailing pride in standard of living", he says, "the benefits that workers have received, and economic development softened older suspicions and dulled the memories of our outcries against such change during the latter half of the twenties and the whole of the thirties. In this new era, full employment is accompanied by an expanding economy in which the benefits of higher productivity are being more widely distributed."

*This prosperity has created new factors for a full employment policy. These cannot be neglected without jeopardizing the success of the policy.*

*At the same time, in proportion as this same prosperity appears threatened, the need for security emerges stronger than ever.*

#### A NEW FACTOR, LESS MOBILITY OF LABOUR

The mobility of the production factors, and more particularly of the workers, is often given as one of the typical features of the American economy. It may be said right away that if production factors were really perfectly mobile in the United States, the overall measures generally introduced would be sufficient: there would be no need for sector measures too, and readaption problems would not arise. *Mobility in the United States is thus shown by experience to have its limits.*

This is particularly true in respect of the labour force. Even though the tax laws in the different States show disparities likely in a greater or lesser degree to attract or keep away capital and enterprises, the

economic policy of the Federal Administration is certainly leading to increased mobility of the capital to be expended on developing production.

Lessened mobility of labour as against increased mobility of capital undeniably constitutes a success for the full employment policy in the United States.

We were not able to obtain figures on the trend in the mobility of labour in the United States. Indeed, the opinions we were given on the subject varied. We were told that mobility was as great as ever; we were also told that American workers did not like moving any more than anybody else.

The generally somewhat scratchy apprenticeship schemes, and the system of union affiliation after engagement by an enterprise, certainly support the former statement.<sup>1)</sup> The instances of readaptation which we were able to note suggest, on the other hand, that the other is the correct view. In addition to these isolated cases, *the actual characteristics of the position achieved by the workers under the American system seem very much of a nature to result in a lessening of mobility.*

As we shall see, the American worker is becoming more and more attached to his enterprise and his area.

#### ATTACHMENT TO ENTERPRISE

The publication of "situations vacant" and "situations required" in each State and locality by the Employment Security Agencies, and the existence of employment bureaux, encourage mobility of labour, as available openings are thereby made known to all concerned, but these publications are only of interest when all possibilities of employment in the enterprise where a man usually works have been exhausted.

As we saw in Part One, most of the workers' safeguards under the American system accrue to them from the seniority clause.

We further saw that the collective bargaining agreements in which the seniority clause is embodied are concluded between the enterprise and its workers.

The seniority clause *operates only within the plant*, not among the different plants of one company, or in the industry as a whole. As we saw in connection with Ellwood City, negotiations between the unions and the management centred in particular on the extension of the seniority clause to cover the company as a whole. The workers interviewed took it for granted that their seniority would be guaranteed, and regarded the maintenance of their rights in this respect as a *sine qua non* in any move they might agree to make.

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(<sup>1</sup>) For the apprenticeship system in the United States, see Annex V.



As we have also seen, this seniority clause forms the basis of all the worker's conditions of employment in the American enterprise — apprenticeship, promotion, discharge and allowances.

This, then, is an important factor in the immobilization of labour. Another element of attachment to the enterprise, a negative one this time, is the *general introduction of the job evaluation system*. As the same job is paid at practically the same rate in all enterprises, there is *no incentive to the worker to change from one to another.*<sup>1)</sup>

Change of enterprise is in fact a serious disadvantage to the worker.

#### ATTACHMENT TO AREA

Even when a worker has finally broken with his enterprise, there is often a further factor discouraging him from leaving the area he lives in. He very often owns his house, or is in a fair way to doing so.

Clearly, not all American workers do own their houses, but there are many arrangements under the National Housing Act of June 27, 1934<sup>2)</sup> encouraging home ownership.

Thanks to their high wages and a flexible credit system, workers can become the owners of the houses they occupy. Under the National Housing Act a vigorous policy has been carried on regarding the building of workers' houses, which has had a good deal to do with the success of the full employment policy. The unions have been extremely active in this connection. Both at Federal and at local level they have specialized research bureaux, which have succeeded in working up a strong body of opinion in favour of housing schemes, and which, as we have seen, enable the unions to press the Administration to push ahead with its housing policy.

We were not able to obtain information as to the percentage of workers owning their houses, but it is clear that the improvement in the workers' position which such ownership represents — an improvement due, and at the same time essential, to the success of the full employment policy — proportionately reduces the mobility of labour.

The fact that almost every American worker owns a car does undoubtedly reduce the effect of this immobilization factor. This is, however, operative only within a fairly small radius, and only to the extent that other openings for employment are to be found within that same radius.

To sum up, although the fact that a worker owns his house and car is not likely to affect inter-trade mobility within a particular area,

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<sup>1)</sup> A study published in 1954 by the Massachusetts Institute of Technology, "Labor Mobility and Economic Opportunity", stresses very strongly the effect of differences in pay on the mobility of labour.

<sup>2)</sup> See Annex VI.

it does definitely reduce inter-area mobility. This presents a fresh problem for the full employment policy. Here again the example of Ellwood City is of some significance.

#### INCREASED NEED FOR SECURITY

*The American worker readily accepts the risk of competition. He knows that so long as it gives good results he has his share in them. So he willingly risks bad ones.*

This attitude largely explains the very empirical nature of the security systems in the United States. At the same time, this attitude, which does not in any case go back very far, is tending to change again. Alongside the *overall security* which the full employment policy, by avoiding any recurrence of the crisis of the thirties, provides for everyone all round, *there is a general desire to have greater individual security.*

#### OVERALL ARRANGEMENTS A FIRST STEP TOWARD SECURITY

It is a *general feature of full employment policies* as pursued in every country to concentrate almost entirely on *overall arrangements*. The United States (though there the policy has been particularly empirical) has not escaped this rule, which reflects the influence of economic theory. There as elsewhere, it is the overall figures of the national accounts that have been most attentively studied. The main aim has been to balance them.

*This same attitude has had to be adopted by the unions in order to convince their workers* of the advantage which can accrue from technical progress under an adapted system: only in this way could the workers be brought to conform with the requirements of the demand system and the full employment policy. They definitely needed to be won over.

To realize their views on technical progress as late as 1939, we have only to read an article in the Monthly Labor Review for April 1939, by H. J. Ruttenberg, describing what happens to a steel town and its workers when modern methods are introduced in place of the older ones. The title speaks for itself: it is called "The Big Morgue". The works has become the grave-yard of all our jobs.

The *prosperity* which has prevailed in the United States since 1940 has, in Barkin's words, *softened the old suspicions and dulled the memories of outcries.*

#### THERE MUST BE INDIVIDUAL SECURITY, TOO

The *deficiencies of the overall policy*, which has neglected the problems of particular sectors and allowed difficulties to pile up, were bound to get a *reaction from the people directly threatened.*

So long as the overall full employment policy succeeded in raising the general level of economic activity and the standard of living, this need for security was felt only very sporadically as occasion arose.

Of course, the unions have always been on the alert, and have constantly drawn attention to the need for re-employment and readaption measures. They have always kept the problem very much in mind. As early as 1940, at various meetings organized by the Temporary National Economic Committee to ascertain the views of the employers and the unions on the repercussions of technical progress on the level of employment in the iron and steel industry, the workers' representative stated the problem very clearly. His deposition, given in the Monthly Labor Review for *May 1940*, contains claims for all the measures gradually introduced over the next few years, as described in Part One of this Report.

But as we have seen the state of affairs brought about by prosperity was not favorable to systematization. At the same time, the unions have made preparations for dealing with readaptation problems, as is shown by the C.I.O. program we mentioned earlier.

The *Administration*, on the other hand, does not seem to have felt the problems so acutely. Solomon Barkin, giving evidence before a Senate subcommittee in March 1955 on the difficulties of the textile industry, and of certain depressed areas generally, stressed this attitude. "No single administrative representative", he said, "has truly concerned himself with, or appreciated, the significance of the troubles in these depressed industries and areas. They are focussed on broad global figures, forgetting that underneath are the fires which may destroy even a high employment economy". And this is one of the reasons why C.I.O. is submitting its program to the Federal Administration.

*Inevitably, the accumulation of the difficulties* ignored by the global policy has made these fires only too clearly visible.

*In addition, the menace of recession* felt in recent years brought it home to public opinion, and more particularly to the workers, that their own individual security was in danger.

*Finally, the prospect of a new industrial revolution* indicated by the advance of "automation" involves such a threat to the workers that none of them can feel safe from the results of technical innovation. *Solidarity*, somewhat diluted by the fruits of prosperity, is re-forming, and the aim is to organize, as part of the system which has already given satisfaction, a readaptation policy to supplement the policy of full employment.



## Section 2: Readaptation under full employment

The *readaptation policy and the full employment policy are complementary*. A full employment policy which ignores or neglects readaptation problems is necessarily incomplete, and readaptation problems very quickly obtrude as something that can quite well wreck the effects of a full employment policy.

Equally, a readaptation policy that is not integrated into a full employment policy loses quite a lot of its point. The aim and object of a readaptation policy can only be effective in full employment. And integrated in a full employment policy, the readaptation policy has great chances of finding the proper setting for it to be put into effect.

*It is proposed to show in turn* the success of the readaptation policy in the United States in effectively complementing the full employment policy, and the valuable setting provided by the full employment policy for a policy of readaptation.

### THE CONTRIBUTION OF A READAPTATION POLICY TO A FULL EMPLOYMENT POLICY

A systematic readaptation policy can only *enhance the effectiveness* of the full employment policy.

On the one hand, the readaptation policy is an *essential complement* to the full employment policy.

On the other, it *gives* the full employment policy a *consistency* it would otherwise never possess.

### THE READAPTATION POLICY AS A COMPLEMENT TO THE FULL EMPLOYMENT POLICY

The accounts given in Part One of this Report of the difficulties persisting in certain sectors and areas, in spite of the full employment policy pursued in the United States bring out sufficiently the need to supplement the overall full employment policy by a sector-by-sector policy, which is in the final analysis a policy of readaptation.

*We shall confine ourselves to stressing the logic of the demand system itself.*

*It is not in accordance with the logic of the demand system* that demand should be taken as a *global quantity*. What is in accordance with that logic is to study the effects of such demand on the production potential, and, therefore, where there are certain difficulties in a particular production sector, it is logical to go into the reasons for these difficulties on the demand side.

*It is not in accordance with the logic of the demand system to allow sectors or areas to suffer from inadequate purchasing power, which inevitably has repercussions on the general level of the economy. It is not in accordance with the logic of the system not to try to reduce these brakes on economic expansion and the raising of the general standard of living.*

And, finally, *it is not in accordance with the logic of the system to allow sectors and areas to go on as they are when their position is not only a handicap but a danger to economic expansion and the raising of the standard of living: left to themselves, such sectors and areas can, and do, throw the rest of the system out of gear.*

What is in accordance with the logic of the system is to bring these sectors and areas back on a level of activity in line with the rest of the economy.

#### A READAPTATION POLICY MAKES FOR A CONSISTENT FULL EMPLOYMENT POLICY

When C.I.O. recently submitted a program in connection with readaptation problems, it gave the issue of its Economic Outlook the title "The Distressed Area: A Growing National Problem" *It is a national problem*, and the program is addressed to the Federal Administration.

C.I.O.'s proposals are not only a *program* but also a diagnosis.

It is a national problem: in other words, the full employment policy as pursued so far in the United States has not had the cohesion which the central authorities could have given it. This lack of cohesion manifests itself in particular sectors and areas. These problems are, therefore, local ones. *But the impetus to deal with them can only usefully come from the central authorities.*

The readaptation policy may thus be regarded as the *means for co-ordinating the various aspects of a full employment policy*. The aim is to get the full employment policy re-focused on the general interest, which it rather tends to neglect, and only the central Administration can really define exactly what the general interest is.

This *need for centralization* is strongly emphasized in the minimum Federal program proposed by C.I.O.; the first demand is for the setting up of a Federal authority to direct and co-ordinate the various forms of assistance to depressed areas.

The point directly concerned is readaptation. In point of fact, the indirect result is expected to be a *co-ordination of the full employment policy*.

Centralizing the measures for dealing with readaptation problems *is intended to prevent any attempt merely to shift the difficulties elsewhere*. The problems must not be passed on from one area to another,

for instance with enterprises taking advantage both of concessions made to them in the depressed area where they actually are and of concessions offered to them in the area to which they are being urged to move (a survey is being carried out in this connection in respect of the textile industries in the New York area). Nor must the problems be passed on from one sector to another, with capital going for preference to those activities which are being encouraged and neglecting others which are necessary to the life of the community.

But C.I.O.'s demands go further. They want more than *just a policy*: they want to do something about the *setting of that policy*, that is, the demand system itself.

In asking for the standardization of the compensation and security systems throughout the Federal State, and for no existing differences between taxation, security legislation, pension schemes, etc., in the various States to be allowed to constitute incentives for the shifting of enterprises, C.I.O. is asking the *Federal State to introduce greater consistency into the large market*.

There are plenty of cases where difficulties in certain areas due to the closing down of an enterprise are really caused by the fact that the enterprise has gone elsewhere not in order to be closer to its markets or its raw materials, or in order to carry out a rationalization in accordance with market requirements, but simply in order to take advantage of the considerable disparities between the old area and the new.

If a *central authority* were to study readaptation problems at Federal level, *it would be possible to bring to the general notice the conditions which distort the effectiveness of full employment policy*.

It is also possible that the introduction of a systematic readaptation policy will *influence union organization itself*.

Solomon Barkin, in a statement to the Industrial Relations Research Association in Detroit in December 1954, on the new industrial revolution brought about by modern science, considers that the American union setup will undoubtedly need to be adapted. *After trade unionism, technical development made it necessary to have industry unionism. Now it looks as if industry unionism will be inadequate*: already now, agreements are having to be concluded between the unions of two or more industries to deal with the problems facing the labour force in one enterprise, since the enterprises carry on such many-sided activities that they do not come within the province of a single union.

What, then, will be the *form taken by this new union setup*? The requirements *have not yet been formulated clearly* enough for it to be definitely established, but there will *need to be a change*.

It may be observed in this connection that *at the time of the merger between C.I.O. and the A. F. of L.* the point was stressed that "the

single Federation will recognize statutorily that trade unionism and industry unionism are equally effective and necessary methods of union organization.”

But in a system such as that of the United States, where *the enterprise forms the cell*, the systematic readaptation policy obviously cannot be carried out entirely by the public authorities alone.

*C.I.O.'s program is also addressed to the enterprises.* It asks them to fulfill their proper function under the demand system, pointing out that although some heads of enterprises are showing a commendable interest in the problem of the depressed areas, the time has now come, more than ever before, for the employers as a body to refrain from all conduct which is counter to the interests of the country. Surely, C.I.O. suggests, the giants of American industry will lead the way in encouraging this new sense of public service.

According to estimates published by the “Fortune” magazine, the 500 largest corporations employ 44 percent of the labour force and own 56 percent of industrial and mining activities. They can of themselves do a great deal to prevent the emergence of further depressed areas, since they have a half share in the entire industrial activity of the United States. And by their example they can also do a great deal to arouse the other half to its public responsibility.

This appeal has, incidentally, a twofold significance: on the one hand, in stressing readaptation problems it shows up the need for renewing the full employment policy, and on the other, it makes readaptation an integral part of the demand system. The position, as we shall see, cannot but be advantageous to readaptation.

#### THE CONTRIBUTION OF THE DEMAND SYSTEM TO THE READAPTATION POLICY

*The advantage* to a readaption policy of the fact that it has to be carried out as part of a demand system *is a double one.*

*The object of the demand system, full employment and a higher standard of living rendered possible by production techniques, provides the readaptation policy with the “yardsticks” it requires if it is to be effective.*

And the organization of the demand system provides the readaptation policy with tested model solutions.

#### “YARDSTICKS” OF EFFECTIVE FULL EMPLOYMENT

A readaptation policy can only be carried through in accordance with precise “yardsticks”. *The changes* it introduces or helps to introduce or helps to introduce are not merely of a temporary nature: they *affect the actual structure of the market.*

In a competitive market, the "yardsticks" required for structural changes are not to be found in the free operation of supply and demand.

The *trends of the market*, i. e. of supply and demand, are spasmodic and may easily give an exaggerated picture of the situation.

They *are spasmodic* inasmuch as it is not always possible to tell from the fluctuations of the market whether a particular economic activity is warranted in practice, and whether or not it deserves to be continued. At times when business is poor there may be difficulties in an enterprise suggesting that it urgently requires readaptation, whereas when business is good that same enterprise may manage to retrieve its position. Even if a concern does in fact call for readaptation, a boom can mask the need. There is of necessity a certain element of arbitrariness in deciding on readaptation on this basis.

And the trends of the market *may be exaggerated*. Some activities and enterprises may be squeezed out of existence during a slump, when they are actually essential for meeting the requirements of the community when there is a boom. Any readaptation likely to result in the elimination of such activities would be counter to the general interest, and would not be a readaptation in the true sense of the word at all.

*Readaptation needs* more rational "yardsticks", with *proper continuity and moderation*.

Continuity and moderation can only be provided by an overall policy establishing valid comparisons and relations between various activities, both in space, i. e. throughout the market, and in time, i. e. throughout the various phases in the economic situation.

This *inability* on the part of the supply and demand system as such to furnish accurate "yardsticks" for a readaptation policy is more obvious than ever *where restrictive or protective practices are also in operation*. Generally, such practices are introduced when the activity they are to protect is no longer in a position to keep up with technical progress and the imperative demands of economic life.

*Under the American demand system*, the *connection between technical progress and economic requirements is fully maintained*, since demand is kept at a level enabling technical progress to expand.

In view of the competition in the market, and of the fact that the market is broad enough and deep enough for the fullest use to be made of the possibilities opened up by technology, no readaptation problem would ever arise if the system were perfect. The trends of the market would directly reflect the technical value of the plant, while the policy of full employment through demand would keep business sufficiently steady for economic success or failure to represent the value of the activity concerned to the community.

It is because *the system is imperfect* that *readaptation problems* arise, but even though *its effects* may be imperfect, they nevertheless *provide* the necessary "yardsticks" for readaptation.

#### TESTED MODEL SOLUTIONS

Readaptation problems are due to imperfections in the demand system and in the full employment policy of which it is the basis. Since the system has proved successful for the establishment of a high level of activity and a high standard of living, it is quite normal that efforts should be made to work out solutions to these readaptation problems along the lines of the general solutions provided by the demand system.

As the C.I.O. program emphasizes, readaptation problems *must be solved at Federal level*. But such solutions have to be *adapted to the particular conditions* prevailing in each area, each sector, and even each separate enterprise.

*The American demand system* as at present organized *enables both* these requirements to be met. Consequently, it is of a nature to incorporate the new solutions necessary, and to help them to become operative without loss of time, thanks to the habits it has already established.

#### 1. — *Organization at the level of the large market*

This is *the weakest point of the American demand system*. As we have seen, it is here that readaptation most directly affects the full employment policy and the economic system itself.

The first point in C. I. O.'s program concerns the setting up of a central co-ordinating authority, which would result in certain changes in the actual structure of the system.

*Means for action, however, already exist at Federal level*: it is mainly a question of extending them and ensuring that they are employed systematically.

The other points in the C. I. O. program concern:

- technical assistance: a substantial increase in Federal aid;
- public works: acceleration of programs and establishment of priorities for depressed areas;
- loans: extension of priority facilities for areas of chronic unemployment;
- taxation: quicker tax relief for depressed areas;
- orders by authorities: priority for depressed areas.

Almost the only points calling for changes in the system are vocational training and movement allowances, unemployment benefits, and pensions.

*The organization of the different bodies concerned at Federal level, particularly that of the unions, makes it possible to take up directly the discussions required for the introduction of this coherent readaptation policy. C.I.O.'s program is a perfect illustration. It calls for an answer from the authorities, and it falls directly within the collective joint responsibilities of the Administration, the unions and the enterprises. The program's appeal to the big corporations is significant in this respect.*

*The organization of the system at Federal level is the basis of the policy which it is intended to pursue in regard to readaptation.*

## 2. — Organization within the enterprise.

As we have said, the enterprise is the cell of the American economic system. *The solutions which the central authority will have to co-ordinate or back up with its own measures as regards public works, loans, etc., will be for the most part solutions worked out within the enterprise. This has at least a twofold advantage.*

Firstly, these solutions are worked out *in that special "atmosphere" which we have emphasized as making the enterprise a real team.*

Secondly, in view of the lessening in labour mobility, it is highly desirable that the solutions should be worked out on the spot. Measures at enterprise level are just what is required *to conform with the new attitude of the Americans.*

The *ramifications* linking the members of the enterprise team to the central organizations will ensure *the necessary co-ordination* of the measures decided upon, but as the solutions are worked out within the enterprise through direct discussions between the different parties concerned, *each individual will be made aware of his own responsibilities.*

*The importance and value of the enterprise as a setting is emphasized by the C.I.O. program, which suggests that the work of the central authority should be complemented by the organization of a Public Advisory Committee consisting of representatives of the workers, the manufacturers and the State or local governments. The importance attached by the unions to working out measures at enterprise level is clearly brought out in their efforts to arrange by means of collective bargaining agreements measures representing a new form of readaptation policy.*

One which we propose to deal with in particular at this point is the *guaranteed annual wage*. We know the formula adopted in the recent agreement between the C.I.O. automobile workers' union and the Ford

Company. Annexes VII, VIII and IX following contain the proposals of the steelworkers' union to the steel producers, and the proposals made to the aluminium industry for the introduction of a similar system.

To note the *general principles*.

1. The *main object* of the guaranteed annual wage is to *induce managements to maintain full employment* week by week throughout the year.

2. Payments under the guaranteed annual wage will go to the workers whom the management has not troubled to provide with sufficient work, i. e. they will get an income enabling them to keep up the standard of living they had when they were fully employed.

3. Funds will be administered by a board on which the union and the management will be equally represented, with a neutral chairman to settle disputes.

4. Financing will be done *in such a way as to encourage employers to stabilize employment* by building up a reserve fund. A reinsurance scheme will enable the amount of the required reserves to be reduced, and the risks of abnormal unemployment to be spaced as widely as possible over the economy.

The guaranteed annual wage is intended to dispel many of the workers' apprehensions. *Directly or indirectly, its contribution toward solving the readaptation problem seems likely to be considerable.*

The aim is to make the enterprise if not entirely responsible, at any rate alive to the social costs involved by the technical progress it introduces. *It is to create direct interdependence between technical, economic and social costs at enterprise level.* This interdependence is generally ignored, and the labour force is left to bear the brunt of the social costs. The guaranteed annual wage is designed to do away with this injustice.

Taken as part of *the demand system*, it constitutes a means of establishing for costs the same kind of solidarity as the system has already established for markets. *It thus complements the demand system.*

It complements it in another respect also, for in point of fact it helps to bring about a combination of *remedial* action, as undertaken hitherto to ensure re-employment of labour, and *preventive* action for the establishment of full employment. That is to say, *it is a preventive measure covering both the conditions for the full operation of the enterprise and the conditions for technical progress within the enterprise.*

It forms, in fact, an indispensable complement to the demand system, and consequently is *an important factor in economic expansion and the raising of the standard of living.*



## CONCLUSIONS

We did not go to the United States to find panaceas for our own problems. We went to observe what is being done in that country so as to enable us to draw some fundamental conclusions.

Before going on to deal with the European aspect, we propose to give these conclusions in tabloid form.

### Section 1: Basic lessons of American experience

#### RELATION BETWEEN READAPTATION AND FULL EMPLOYMENT.

1. *Readaptation problems have hitherto remained in the background in the United States.*

They are now, however, receiving closer attention, particularly from the unions. Whereas they used to be dealt with by empirical and not always effective methods, they are now embodied in a systematic program elaborated by the Congress of Industrial Organizations (C. I. O.).

2. *Readaptation problems have until very recently been masked by the overall problems of establishing full employment.*

It is now a definite point in the full employment program that they should be dealt with directly, particularly in depressed sectors or areas.

3. *Readaptation and full employment measures are complementary to one another.*

Readaptation measures must supplement the full employment policy and make it thoroughly effective.

Full employment measures are an essential background to readaptation measures.

#### THE PRINCIPLE UNDERLYING THE SOLUTION OF READAPTATION AND FULL EMPLOYMENT PROBLEMS

4. *Readaptation measures dovetail with full employment measures; they are based on the same principle and use the framework of the system built up to comply with the requirements of a full employment policy.*

5. *The principle* underlying the full employment policy, and henceforth also the readaptation policy, as pursued in the United States, is *the demand principle*.

This means that:

a) The whole of the economic system has to be organized in such a way that all technical production potentialities are used to the full.

b) *Full employment* means not only that workers are fully occupied, but that technical potentialities, too, are fully utilized.

c) *Together*, full utilization of technical potentialities and utilization of the labour force *make for optimum technical employment* of production potentialities.

d) If optimum technical employment is to be feasible, if it is to be desirable and practicable in an economy centering on the enterprise, then *optimum technical employment has also got to be optimum economic employment*.

e) *Optimum technical employment is optimum economic employment provided:*

i) *demand can absorb the supply* produced by optimum technical employment, i. e. provided, more particularly, that wages are high enough to give the workers a purchasing power commensurate with the requirements which constitute the market for the commodities produced or likely to be produced;

ii) *competition is in operation in the market*, to compel enterprises to adapt themselves to the requirements of the economy as a whole;

iii) *the authorities* which are responsible for competition, encourage it, supervise it and correct any irregularities

— by a policy of providing forecasts and information,

— by a readaptation policy,

— by a policy of stimulating economic activity;

iv) the *enterprises*, which are responsible for technical progress, give due consideration to both the technical, the economic and the social costs involved.

6. *When these conditions are fulfilled* i. e. when full employment is obtained, which is when full technical and economic employment are obtained simultaneously, *the result is high productivity*.





"High productivity" is the result of the system taken as a whole, i. e. when all conditions are fulfilled.

It has been said that *high productivity* is the precondition for the *high American standard of living*. Hence it is argued that to attain the high American standard of living, we must first have high productivity. This is a great mistake. *The fact of the matter is that the one is impossible without the other.* A strong purchasing power is essential for the full utilization of production factors at the highest possible level of technical productivity, and conversely, a high level of technical productivity is essential to meet the strong purchasing power.

7. *There is a crack to the effect that "American high productivity is a state of mind".*

This is a *serious misrepresentation.*

It is a state of mind insofar as this is taken to mean that all those concerned — employers, workers and authorities — realize the requirements of the demand system and act accordingly,

firstly, by ensuring that the enterprise constitutes a real team playing the same competitive game;

secondly, by seeing to it that each individual, whatever his position in the enterprise or in the economic system feels he bears collective responsibility to be used in the general interest.

The credit for high productivity is thus due to the system itself, which by its organization ensures the continuity and effectiveness of that observance of the principles which is expressed by this "state of mind".

#### CONDITIONS FOR DEALING WITH READAPTATION AND FULL EMPLOYMENT PROBLEMS

8. *The economic system must be organized to comply with the requirements of the demand system.*

The organization of the system with this end in view makes it possible to have effective full employment, both economic and technical, and hence high productivity and the high standard of living.

9. *The organization of the system to comply with the requirements of the demand principle implies:*

a) that the authorities must establish economic structures in which the operation of competition is not distorted;

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The "Steel" group visiting a mine at Springfield (Illinois).

MM. Decot and Petre (on the right) explain to the other members of the group (MM. Baré, Grégoire, Reynier, Watchel and Mlle Dowdall) the operation of the rescue equipment.

b) that the authorities must be constantly at work to adapt the system effectively to the requirements of the demand principle in order to ensure consonant organization in all areas and all sectors;

c) that the labour force must be organized *at all levels of economic activity* in order to ensure that

- i) its conditions of employment, wages and living conditions are not used for purposes of competitions;
- ii) conditions of employment, wages and living conditions are, on the contrary, a determining factor in the application of the demand principle, since it is on the consumers' wages and working and living conditions that production depends;
- iii) the conditions are established within the enterprise for mutual confidence and effective co-operation between the workers and the employers for the most satisfactory achievement of their common objective;
- iv) the labour force is itself in a position to bear its share of collective responsibility and contribute, in collaboration with the authorities and the enterprises, to the promotion of what is best for the community;

d) that the employers, in organizing their enterprises, must

- i) look upon their workers as consumers essential to production, and hence give them the requisite purchasing power;
- ii) establish a relation of openness, confidence and co-operation with their workers;
- iii) do everything in their power to make the maximum use of technical and scientific possibilities.

#### THE LARGE MARKET

10. a) *The system organized on these lines constitutes a "large market"* provided the purchasing power and number of the consumers together assure the minimum sales required for production methods to be properly utilized.

Modern technical methods are such as to call for a rather high minimum of sales.

b) A geographically small market cannot guarantee this minimum.

c) A geographically extensive market does not, however, necessarily constitute a "large market". It is essential that the purchasing power should be high enough.

d) Where there is a geographically extensive market, it therefore depends on the purchasing power whether there is a "large market" or not.

e) Where there is a geographically extensive market, where the enterprise is the basic cell of the economy,

where technical potentialities are not being fully utilized,

where the standard of living of the population is inadequate, either in general or in particular areas or sectors,

the problems will never be solved or the "large market" achieved so long as

- it is intended to improve the standard of living by efforts confined to the technical level, without establishing the necessary sales outlets and, more particularly, without raising wages;
- it is intended to improve the standard of living by making the increase in wages dependent on the results of efforts on the technical level alone;
- it is intended to improve the standard of living without any efforts on the technical level at all;
- no genuine demand system is organized in and around the enterprise.

Obviously, these fundamental principles of the American system have not been fully implemented in the United States. They do, however, form the basis for the working and organization of the system.

In the following pages we shall turn our attention to Europe and deal with readaptation and full employment there in the light of American experience as outlined in this Report.

## **Section 2: Readaptation and full employment in Europe in the light of American experience**

### **THE COMMON MARKET FOR COAL AND STEEL AND THE "LARGE MARKET"**

The Treaty establishing the European Coal and Steel Community aims at organizing a systematic policy of readaptation and re-employment of labour, as a contribution to economic expansion, the development of employment and the raising of the standard of living in the member States.

Accordingly, the Treaty aims at providing the Community with a background of principles comparable to those emerging from American experience.

At the same time, two important limitations should be noted:

firstly, the Treaty concerns only coal and steel;

secondly, it represents only a contribution to economic expansion, the development of employment and the raising of the standard of living.



Clearly, therefore, the Community, as it does not enable a complete economic demand system to be organized, does not enable the objectives of a full employment and readaptation policy to be fully achieved.

Even if the governments of the six member countries were to adopt identical policies of full employment and readaptation, this would still be inadequate for the institution of a genuine demand system. What is required is a common organization and common institutions to set up such a system and ensure that it functions smoothly.

Thus a general common market subject to common institutions is necessary for any effective exploitation of all the technical, economic and social potentialities offered by the "large market" to all those taking part in it.

*THE COMMON MARKET FOR COAL AND STEEL,  
FULL EMPLOYMENT AND READAPTATION*

In the limited field of coal and steel, experience shows that the provisions of the Treaty and the Convention containing the Transitional Provisions are

- a) too circumscribed,
- b) not being adequately brought into play.

(1) *Article 56 and Section 23 are too circumscribed.*

The types of assistance for the readaptation and re-employment of workers laid down in Article 56 and Section 23 are to a great extent the same as those empirically worked out in the United States.

But systematization of readaptation and re-employment measures as laid down in the Treaty and the Convention carries the disadvantage of seriously limiting the number of cases in which these measures can be applied.

The system in the United States has so far been an empirical one, but it was always at the same time very broad in scope: there are no circumstances prescribed as entitling to readaptation, for any and every case may receive assistance.

The E. C. S. C. system lays down a very inadequate range of entitling circumstances: thus, Section 23, which is the broadest in scope, is operative only during the transition period.

Article 56, which lays down the fundamental rules, provides for assistance only if the introduction of new technical processes or equipment as part of the High Authority's general objectives should lead to an exceptionally large reduction in labour requirements.



Again, the enterprises or workers actually concerned in readaptation cannot apply direct to the High Authority: the request must come from the government of the country in question.

These limitations are incompatible with a genuine readaptation and full employment policy. In point of fact, they leave most of the practical cases to be dealt with by the enterprise, which is to say, in the final analysis, by the labour force itself.

As the Treaty can be revised after the expiry of the transition period, this limitation on applicability should be dropped so that all cases of readaptation may be covered by the Treaty.

(2) *Even in their present form, the provisions of the Treaty are not being adequately brought into play.*

a) The provisions of Article 56 and Section 23 should be implemented in conjunction with the provisions of Articles 2, 3, 4, and 5 of the Treaty, i. e. the basic provisions laying down the objectives and methods of the Community.

In other words, the readaptation and re-employment policy should be carried on as an integral part of a full employment policy.

Experience has shown, however, that for the most part Article 56 and Section 23 are applied independently of any real full employment policy, and that assistance made available through them really forms more of a supplementary unemployment fund than a genuine contribution toward readaptation and re-employment.

Its measures in the economic field doubtless help indirectly to deal with the social problems. But it can and must help directly.

For such direct action, the High Authority has, in accordance with the general articles (2, 3, 4, and 5), various possible courses open to it under the other special provisions of the Treaty.

Thus, for instance, under Article 46,5, it may "gather any information required to assess the possibilities of improving the living and working conditions of the labor force in the industries under its jurisdiction, and the risks menacing their living conditions." These provisions enable the High Authority to publish the prerequisites of a policy to achieve the general objectives of the Treaty, including, more particularly, full employment and the raising of the standard of living. By means of the information it assembles and publishes, it can do that work of co-ordinating the full employment policy and the readaptation policy which the American economy itself feels to be needful.

Article 86 of the Treaty provides that the member States "bind themselves to take any appropriate general and particular measures to ensure to take any appropriate general and particular measures to ensure

the execution of their obligations under the decisions and recommendations of the institutions of the Community, and to facilitate the accomplishment of the Community's objectives." The provisions of this article thus empower the High Authority publicly to draw the attention of the governments to their responsibilities.

#### THE ORGANIZATION OF READAPTATION IN THE COMMUNITY

The American system needs centralization, and an authority to do the centralizing; on the other hand, it has the ramifications needed for the full employment and readaptation policies to be adapted to local conditions.

In the European Coal and Steel Community, there is a central authority, even though its powers are inadequate, but there are no ramifications.

The problems of labour mobility, re-employment, readaptation, and the creation of new activities can only gain by being treated on a regional basis.

To make High Authority action effective in these fields, it seems reasonable to suggest the establishment of regional bodies to search out the problems (e. g. an enterprise is going to reconvert, another is going to close down, a shift in population is starting), and to study all possible means of dealing with them in accordance with the Treaty and through the existing institutions.

These regional bodies, like the Community itself, would be organized on an essentially geological basis, irrespective of frontiers. The Community countries would thus be divided into a number of areas fixed in accordance with geological, economic, sociological, population and other surveys.

Each regional body would in fact be a local office of the High Authority, assisted by representatives of the government or governments concerned, of the employers and workers, of the Chambers of Commerce, of the trade organisations, of the local economic councils, etc.

Of course, the establishment and operation of regional bodies of this kind may prove difficult. Doubtless there *are* other possibilities, by making direct use of existing local organizations. But experience has shown, both in the United States and in Europe, that it is essential to have the closest possible contact between the central authority and the problems at local level.

The unions, for their part, will need to act in the opposite direction, i. e. they must centralize, in order to adapt their organization to the work they will be called upon to do at European level. Union history in Europe is much longer and more complex than it is in the United States, but

the importance accruing to the union movement in the United States from the fact that it is organized at Federal level, both administratively and economically, provides an outstanding object-lesson.

\* \* \*

Our tour of the United States revealed to us both the scale of the problems Europe has to tackle and the scale of the results it can achieve.

In this Report, we have dealt not so much on these possible results as on the methods by which they can be achieved.

Provided each in his own field realizes his share of the collective responsibility, it will be possible to build Europe. And Europe must be built, for we are convinced that the building of Europe will be a decisive and unparalleled contribution to the well-being of its peoples.



## ANNEXES

## ANNEX 1

## UNEMPLOYMENT INSURANCE UNDER STATE LAWS, AUGUST 1954

State	Average weekly benefit for total unemployment Jan.-June, '54	Weekly benefit amounts with and without dependents allowances(1)		Duration of benefits		Claimants who exhausted benefits Jan.-June '54		Average employer contribution rate, 1953 (percent of pay-roll)
		Minimum	Maximum	Minimum	Maximum	Number	Average number of weeks of benefits drawn	
United States . . .	\$25					822,015	19	1.3
Alabama . . . . .	18	\$ 6	\$22	11 +	20	16,255	18	1.0
Alaska . . . . .	36	8-10	35-70	12	26	2,141	25	2.7
Arizona . . . . .	21	5-7	20-26	10	20	2,640	17	1.2
Arkansas . . . . .	18	7	22	10	16	10,618	15	1.3
California . . . . .	24	10	30	15	26	37,934	22	1.4
Colorado . . . . .	26	7-9	28-35	10-26	20-26	3,315	16	.4
Connecticut . . . . .	27	8-11	30-45	15	26	6,489	18	1.2
Delaware . . . . .	22	7	25	11	26	2,031	17	.5
Distr. of Columb. . . . .	18	8-11	30	11 +	26	3,379	19	.5
Florida . . . . .	18	5	20	7 +	16	9,445	14	.7
Georgia . . . . .	19	5	26	20	20	17,295	19	1.2
Hawaii . . . . .	21	5	25	20	20	2,064	20	.9
Idaho . . . . .	24	10	25	10	26	4,292	18	1.8
Illinois . . . . .	26	10	27	18 +	26	33,266	18	.9
Indiana . . . . .	25	5	27	12 +	20	52,119	13	.7
Iowa . . . . .	23	5	26	6 +	20	10,474	12	.6
Kansas . . . . .	24	5	28	6 +	20	9,968	16	1.0
Kentucky . . . . .	23	8	28	26	26	13,566	26	1.7
Louisiana . . . . .	22	5	25	10	20	15,250	16	1.4
Maine . . . . .	19	9	27	20	20	5,802	20	1.6
Maryland . . . . .	27	6- 8	30-38	7 +	26	10,982	15	.8
Massachusetts . . . . .	25	7-10	25	21 +	26	39,791	17	2.7
Michigan . . . . .	28	10-12	30-42	9 +	26	56,119	18	1.6
Minnesota . . . . .	22	11	30	15	26	9,501	21	.8

State	Average weekly benefit for total unemployment Jan.-June, '54	Weekly benefit amounts with and without dependents allowances(1)		Duration of benefits		Claimants who exhausted benefits Jan.-June '54		Average employer contribution rate, 1953 (percent of pay-roll)
		Minimum	Maximum	Minimum	Maximum	Number	Average number of weeks of benefits drawn	
Mississippi . . . . .	19	3	30	16	16	12,184	16	1.2
Missouri . . . . .	21	5	25	—	24	18,480	17	.6
Montana . . . . .	21	7	23	20	20	1,784	20	1.3
Nebraska . . . . .	24	10	26	10	20	3,270	17	.5
Nevada . . . . .	30	8-11	30-50	10	26	1,229	18	1.9
New Hampshire . . . . .	22	7	30	26	26	1,676	26	1.7
New Jersey . . . . .	28	10	30	13	26	33,917	21	1.6
New Mexico . . . . .	25	10	30	12	24	2,450	20	1.4
New York . . . . .	27	10	30	26	26	53,385	26	2.1
North Carolina . . . . .	17	7	30	26	26	17,441	25	1.2
North Dakota . . . . .	26	7-9	26-32	20	20	1,125	20	1.5
Ohio . . . . .	29	10-12.50	30-35	12	26	30,129	23	1.0
Oklahoma . . . . .	24	10	28	6+	22	9,677	15	1.0
Oregon . . . . .	23	15	25	8+	26	16,631	20	1.2
Pennsylvania . . . . .	27	10	30	13	26	79,184	22	1.1
Rhode Island . . . . .	24	10	25	10+	26	15,611	17	2.7
South Carolina . . . . .	19	5	20	18	18	16,112	18	1.4
South Dakota . . . . .	23	8	25	10	20	1,304	13	.8
Tennessee . . . . .	19	5	26	22	22	18,259	22	1.5
Texas . . . . .	18	7	20	5+	24	27,892	14	.5
Utah . . . . .	26	10	27.50	16	26	2,093	20	1.1
Vermont . . . . .	22	10	25	20	20	803	20	1.3
Virginia . . . . .	19	6	24	6	16	16,060	13	.6
Washington . . . . .	25	10	30	15	26	21,251	23	1.7
West Virginia . . . . .	23	10	30	24	24	11,525	23	1.0
Wisconsin . . . . .	29	10	33	10	26+	32,305	—	.9
Wyoming . . . . .	29	10-13	30-36	8	26	1,502	13	1.1

(1) Where two figures are shown, the smaller does not include dependents' allowances.

## ANNEX II

### SPECIMEN PROVISIONS ON SENIORITY AND SEVERANCE ALLOWANCES, AS FOUND IN COLLECTIVE BARGAINING AGREEMENTS IN THE IRON AND STEEL INDUSTRY (1)

#### Section XIII — SENIORITY

##### A. Seniority Status of Employees

The parties recognize that promotional opportunity and job security in event of promotions, decrease of forces, and rehiring after lay-offs should increase in proportion to length of continuous service, and that in the administration of this Section the intent will be that wherever practicable full consideration shall be given continuous service in such cases.

In recognition, however, of the responsibility of Management for the efficient operation of the works, it is understood and agreed that in all cases of:

1. Promotion (except promotions to positions excluded under the definition of "employees" in Section 2 — Scope of the Agreement) the following factors as listed below shall be considered however, only where factors "a" and "b" are relatively equal shall length of continuous service be the determining factor:

- a) Ability to perform the work,
- b) Physical fitness,
- c) Continuous service.

2. Decrease in forces or rehiring after lay-offs the following factors "a" and "b" are relatively equal shall continuous service be the determining factor:

- a) Ability to perform the work,
- b) Physical fitness,
- c) Continuous service.

Nothing in this Subsection A shall prevent plant management and the grievance committee from mutually agreeing to fill an equal or lower job in a promotional sequence with a senior employee.

##### B. Determination of Seniority Units

Seniority shall be applied in the seniority unit, which may be an entire plant or any subdivision thereof, as established or agreed upon. A job may be in one seniority unit for one purpose, such as promotions, and may be in a different seniority unit for another purpose, such as terminations from the pay-roll.

(1) Taken from the "Agreement between Columbia-Geneva Steel Division United States Steel Corporation and the United Steelworkers of America", July 1, 1954 — San Francisco, California.



To the end of encouraging application of the principle that employment security should increase with continuous service, consistent with Subsection 13-A above, in connection with lay-offs and rehiring after lay-offs, the appropriate representatives of Management and the Union at each plant shall review the existing local seniority arrangements. The representative duly designated by the International Union for this purpose and the Company Industrial Relations Executive (or his representative) shall be available to advise and consult with the plant representatives of the parties. Any revised agreements on which the local plant representatives of the parties can agree shall be placed in effect as soon as possible.

The existing seniority unit or units to which the seniority factors shall be applied and the rules for application of the seniority factors, including service dates within these units, covered by existing local agreements, shall remain in effect unless or until modified by local written agreement signed by Management and the chairman and secretary of the grievance committee of the local union. Hereafter local seniority agreements including agreements covering departments or units thereof shall be signed on behalf of the Union by the chairman and secretary of the grievance committee of the local union, who are to post such agreements in the plant.

In any plant in which such local agreement has not been consummated, the grievance committee of the local union and local plant management should complete an agreement covering the units of operation within a given plant to which the seniority factors shall be applied within 90 days from the date of this Agreement.

### C. Calculation of Continuous Service

Continuous service shall be calculated from date of first employment or re-employment following a break in continuous service in accordance with the following provisions; provided, however, that the effective date of employment prior to the date of this Agreement shall be the date of first employment or re-employment after any event which constituted a break in service under the practices in effect at the time the break occurred:

1. There shall be no deduction for any time lost which does not constitute a break in continuous service.

2. Continous service shall be broken by:

a) Quit.

b) Discharge provided that if the employee is rehired within 6 months the break in continuous service shall be removed.

c) Permanent shut-down of a plant, department or subdivision thereof, provided that if the employee is rehired within 2 years the break in continuous service shall be removed.

d) Absence due to a lay-off or a physical disability either of which continues for more than two years, except that absence in excess of two years due to a compensable disability incurred during course of employment shall not break continuous service, provided such individual is returned to work within 30 days after final payment of statutory compensation for such disability or after the end of the period used in calculating a lump sum payment.

#### *D. Probationary Employees*

New employees and those hired after a break in continuity of service will be regarded as probationary employees for the first two hundred and sixty hours of actual work and will receive no continuous service credit during such period. Probationary employees may file and process grievances under this Agreement but may be laid off or discharged as exclusively determined by Management. Probationary employees continued in the service of the Company subsequent to the first two hundred and sixty hours of actual work shall receive full continuous service credit from date of original hiring.

#### *E. Interplant Transfer*

It is recognized that new plant or department capacities may be added or expanded, necessitating transfer of employees. It is agreed that problems arising out of the transfer of employees, or the retransfer of employees from new plants to the plants or departments from which they were originally transferred or the transfer of employees from discontinued departments or plants to new plants or departments, are matters for which adjustment shall be sought between local plant Management and local grievance committees.

#### *F. Temporary Vacancies*

In cases of temporary vacancies involving temporary assignments within a seniority unit, the Company shall, to the greatest degree consistent with efficiency of the operation and the safety of employees, assign the employee with longest continuous service in the unit provided such employee desires the assignment. Such temporary assignments shall be regarded as training by which the Company may assist employees older in service to become qualified for permanent promotion as promotion may be available.

#### *G. Decrease of Force*

In the event a decrease of work, other than decreases which may occur from day to day results in the reduction to an average of 32 hours per week for the employees in the seniority unit and a further decrease of work appears imminent, which in the Company's judgment may continue for an extended period and will necessitate a decrease of force or a reduction in hours worked for such employees below an average of 32 hours per week, the Management of the plant and the grievance committee will confer in an attempt to agree as to whether a decrease of force shall be effected in accordance with this Section or the available hours of work shall be distributed as equally between such employees as is practicable with due regard for the particular skills and abilities required to perform the available work. In the event of disagreement, Management shall not divide the work on a basis of less than 32 hours per week.

#### *H. Posting of Job Openings*

When a vacancy develops or is expected to develop (other than a temporary vacancy) in the promotional line in any seniority unit, Management shall to the greatest degree practicable post notice of such vacancy or expected vacancy or job assignments where such is the present practice, for such period of time and in such manner as may be appropriate at each plant.

Employees in the seniority unit who wish to apply for the vacancy or expected vacancy may do so in writing in accordance with rules developed by Management at each plant.

Management shall, if in its judgment there are applicants qualified for the vacancy or expected vacancy, fill same from among such applicants in accordance with the provisions of Subsections A and B of this Section.

*I. Seniority Status of Grievance Committee-men and Local Unions Officers.*

When Management decides that the work force in any seniority unit in any plant is to be reduced, the member of the plant grievance committee, if any, in that unit shall, if the reduction in force continues to the point at which he would otherwise be laid off, be retained at work and for such hours per week as may be scheduled in the department in which he is employed, provided he can perform the work of the job to which he must be demoted. The intent of this provision is to retain in active employment the plan grievance committee-men for the purpose of continuity in the administration of the labour contract in the interest of employees so long as a work force is at work provided that no grievance committee-man shall be retained in employment unless work which he can perform is available to him in the plant area which he represents on the grievance committee.

This provision shall apply also to employees who hold any of the following offices in the local union or unions in which the employees of the plant are members: President; Vice-President; Recording Secretary; Financial Secretary and Treasurer.

*J. Leaves of absence for employees who accept positions with the International or Local Unions*

Leaves of absence for the purpose of accepting positions with the International or Local Unions shall be available to a reasonable number of employees. Adequate notice of intent to apply for leave shall be afforded local plant Management to enable proper provision to be made to fill the job to be vacated.

Leaves of absence shall be for a period not in excess of one year and may be renewed for a further period of one year.

Continuous service shall not be broken by the leave of absence but will continue to accrue.

*K. Seniority Lists*

The Company shall make available to the local union concerned list showing the relative continuous service of each employee in each seniority unit. Such lists shall be revised by the Company from time to time as necessary, but at least every six months, to keep them reasonably up-to-date. The seniority rights of individual employees shall in no way be prejudiced by errors, inaccuracies, or omissions in such lists.

## Section XVI — SEVERANCE ALLOWANCE

## A. Conditions of Allowance

When, in the sole judgment of the Company, it decides to close permanently a plant or discontinue permanently a department of a plant or a substantial portion thereof and terminate the employment of individuals, an employee whose employment is terminated either directly or indirectly as a result thereof because he was not entitled to other employment with the Company under the provisions of Section 13 — Seniority — of this Agreement and Paragraph B-2 below shall be entitled to a severance allowance in accordance with and subject to the following provisions.

## B. Eligibility

Such an employee to be eligible for a severance allowance shall have accumulated three or more years of continuous Company service as computed in accordance with Section 13 — Seniority of this Agreement.

1. In lieu of severance allowance, the Company may offer an eligible employee a job, in at least the same job class for which he is qualified, in the same general locality. The employee shall have the option of either accepting such new employment or requesting his severance allowance. If an employee accepts such other employment, his continuous service record shall be deemed to have commenced as of the date of the transfer, except that for the purposes of severance allowance under this Section and for purposes of Section 12 — Vacations — his previous continuous service record shall be maintained and not be deemed to have been broken by the transfer.

2. As an exception to Paragraph 1 above, an employee otherwise eligible for severance allowance who is entitled under Section 13 — Seniority — to a job in at least the same job class in another part of the same plant shall not be entitled to severance allowance whether he accepts or rejects the transfer. If such transfer results directly in the permanent displacement of some other employee, the latter shall be eligible for severance allowance provided he otherwise qualifies under the terms of this Section.

## C. Scale of Allowance

An eligible individual shall receive severance allowance based upon the following weeks for the corresponding continuous Company service:

<i>Continuous Company Service</i>	<i>Weeks of Severance allowance</i>
3 years but less than 5 years	4
5 years but less than 7 years	6
7 years but less than 10 years	7
10 years or more	8

*D. Calculation of Allowance*

A week's severance allowance shall be determined in accordance with the provisions for calculation of vacation pay as set forth in Section 12 — Vacations.

*E. Payment of Allowance*

Payment shall be made in a lump sum at the time of termination.

*F. Non-duplication of Allowance*

Severance allowance shall not be duplicated for the same severance, whether the other obligation arises by reason of contract, law, or otherwise. If an individual is or shall become entitled to any discharge, liquidation, severance, or dismissal allowance or payment of similar kind by reason of any law of the United States of America or any of the states, districts, or territories thereof subject to its jurisdiction, the total amount of such payments shall be deducted from the severance allowance to which the individual may be entitled under this Section, or any payment made by the Company under this Section may be offset against such payments. Statutory unemployment compensation payments shall be excluded from the non-duplication provisions of this paragraph.

### ANNEX III

## STANDARD INDUSTRIAL SURVEY SUMMARY REPORT

OUTLINED BY THE INDUSTRIAL PLANT LOCATION COMMITTEE  
 CALIFORNIA STATE CHAMBER OF COMMERCE  
 SANGER, FRESNO COUNTY, CALIFORNIA

#### 1. LOCATION:

Sanger, a city of 6,400 populations as of April 1950 was estimated to have 7,333 (USC) residents in October 1954. Population of the community is 7,500, of the township 15,000, and of Fresno County 304,243. It is situated in the San Joaquin Valley region, 138 miles south of the nearest seaport terminal of Stockton, 211 miles north of Los Angeles and 199 miles south of San Francisco.

#### 2. CLIMATE:

	AVG. Temperature			Rain (Inches)	Humidity			Prevailing wind Dir.
	Min.	Mean	Max.		5 AM	Noon	5 PM	
Jan.	37.7°	46.1°	54.4°	1.71°	91	73	67	from N.W.
Apr.	48.0	61.2	74.3	.92	80	44	35	average
Jul.	64.8	81.9	99.0	.01	52	28	16	annual
Oct.	50.8	64.8	78.8	.56	74	42	35	velocity
Year	50.1	63.2	76.3	9.44	74	47	39	6.7 m.p.h.

#### 3. TRANSPORTATION:

Southern Pacific Railroad, Moyer Stage Line (Express and Passenger), Railway Express, C-M-E Truck Line, Valley Motor Lines, Lonnie Case Trucking, Pacific Motor Transport (Southern Pacific Truck Line), United Parcel, and Triangle Transfer (Local). Excellent highways connecting Sanger with Fresno (16 mil.) and U. S. Highway 99, connecting highways to coastal and other San Joaquin Valley cities. Interchange railroad switching facilities at Fresno. Trans-continental and worldwide shipping can be arranged for in Fresno.

#### 4. INDUSTRIAL SITES:

(A) There are 24 acres in the city limits zoned MI for light industry, of which about 90 percent is vacant and available in parcels ranging in size 1 to 3 acres. Typical sale prices during 1954 have ranged from \$ 1,500 to \$ 1,800 per acre. The terrain is mostly level, some loam underlain by clay. Drainage is fair. Subsoil is sand formation and piling not required. Ground withstands minimum of 3,000 P.S.I. pressure.

Water mains 8" line. Sewer 12" to 14".

Gas lines installed or adjoining. Electric available.

Rail lines Southern Pacific Railroad Line and spur tracks available, refer to No. 3 transportation.

Description of (B) sites on rail, zoned or unzoned, outside city limits and (C) other tracts or districts.

Sites up to 120 acres available adjacent to rail line, sewer and water facilities are available to the area contiguous to Sanger, upon annexation. 20 acres on excellent highway sites. Unlimited acreage located on the Southern Pacific and Santa Fe Railroads Lines between Sanger and Fresno are available. Excellent industrial sites for large industrial operation. Sanger Industrial Foundation and other individuals will build to suit tenants. Other industrial financing and risk capital are available.

Site data compiled in co-operation with the Sanger Realty Board.

5. INDUSTRIAL WATER SUPPLY:

- a) Sources Sanger Municipal Water System, containing 5 wells.
- b) Adequacy of Supply 250,000 gallons on demand; unlimited potential development.
- c) Hardness 65.4 p. p. m. Does it require treatment for boiler use?
- d) Cost per 1,000 gallons in quantites of 100,000 gallons per month \$ 0.05. Cost per 1,000 gallons in quantities af 1,00,000 gallons per month \$ 0.05.

6. GAS AND ELECTRIC UTILITY SERVICES:

- a) Gas: Source Pacific Gas and Electric Company.

	Monthly Delivery	Average	Average	B. T. U. Content Per Cubic Foot
1 Therm	Therms	Per Therm	Per MCF	
100,000	500,000	\$ 2.95	32.5c	
B.T.U.	50,000	3.22	35.5c	
	5,000	3.51	38.7c	1100

Electric Power: Source Pacific Gas and Electric Company.

Maximum Demand	Monthly Us. KWH	Net Mo. Elec. Bill	Av. Cost Per KWH	Monthly Us. KWH	Net Mo. Elec. Bill	Av. Cost Per KWH
1000 KW	200,000	\$ 2,663	1.33c	400,000	\$ 4,069	1.02c
500 KW	100,000	\$ 1,443	1.44c	200,000	\$ 2,173	1.09c
300 KW	60,000	\$ 896	1.49c	120,000	\$ 1,348	1.12c
150 KW	30,000	\$ 490	1.63c	60,000	\$ 736	1.22c
75 KW	15,000	\$ 283	1.89c	30,000	\$ 423	1.41c

## 7. GOVERNMENTAL FACILITIES — TAX AND INSURANCE RATES:

a) Sanger has the City Manager (instituted 7/1/54) type of government. Assessed valuation 1954-55 was \$ 5,356,700. Ratio to county assessment was 100 per cent. Bonded debt of the city is \$ 445,341. Elem. \$ 365,000. H. S. \$ 850,000.

b) Combined total property tax rates 1954-55 per \$ 100 assessed value: City \$ 1.17, County \$ 1.517, School \$ 2.867, Other Dist. \$ .3015. Total \$ 5.8556.

Unincorporated area:

County-Outside \$ 1.5171, School \$ 2.662, Other Dist. \$ .4615. Total \$ 4.6406.

c) The ratio of assessed value to appraised value in 1951 averaged 33.3 percent for the State and 35.4 percent for Fresno Country, according to sample surveys by the State Board of Equalization.

d) City Sales Tax: Rate 1% Yield 1953 \$ 57,703, 1954 \$ 67,000.

e) Police Department consists of chief; 9 regular officers; 20 volunteer reserve officers. Three shifts each 24 hrs., with 2 patrol cars on each shift. Grades in force: Chief, 1 lieutenant; 2 sergeants. Police department operates the ambulance.

f) Fire Department consists of 25 volunteer men. Grades in force: Chief, Ass't Chiefs, 2; Captains, 2; Drivers, 4. Fire equipment includes 1 centrifugal pump with hose reel, pumping 500 gallons per minute; 1 pumper 500 gallons per min. Primary & Limited Secondary.

g) Insurance classification: City 5 Fringe Area 9B, Other: none.

h) Sewer System 32 min. of sewer lines. Residential 8"; industry 12" to 14". Service to Fringe Areas City service only.

i) New Projects authorized for improvement of city services. Sewer services will be extended to Irvington Heights and a new subdivision south of Sanger. Reserve water supply for demand 15% to 20% increase.

## 8. POPULATION GROWTH AND TRENDS:

	April 1940	April 1950	July 1952	July 1954
Population in County .....	178,565	276,515	287,100	304,243
Population in Township .....	8,674	12,533	13,169	15,000
Population in City Limits .....	4,017	6,400	6,800	7,333
No. of Occup. Dwelling Units ...	1,140	1,830	1,906	2,136
School Enrolment-Grades 1-8 ...	650	1,424	1,527	1,792
No. of Water Connections .....	1,300	1,400	1,750	2,000
No. of Electric Meters-Res. ....	978	1,494	1,562	1,824
No. of Elec. Meters-Comm. Ind. ...	293	430	426	458
No. of Telephones-Residential ...	568	1,809	2,225	2,442
No. of Telephones-Business .....	150	523	620	674
No. of Gas Meters-Residential ...	1,010	1,569	1,702	1,816
No. of Gas-Meter -Comm. Ind. ...	n. a.	1,816	1,896	290



9. CHARACTERISTICS OF CITY POPULATION & LABOUR FORCE — 1954 CENSUS:

By Race	Male	Female	Total	By Age	Male	Female	Total
<b>Total Pop.</b>	3,568	3,765	7,333	<b>Total</b>	3,568	3,765	7,333
White	3,523	3,721	7,244	Under 5	406	374	780
Native	2,824	2,860	5,684	5 to 14	578	604	1,182
Foreign	351	306	657	15 to 24	502	536	1,038
Non-White	45	44	89	25 to 44	902	895	1,797
Negro	3	2	5	45 to 64	606	558	1,164
Other	42	42	84	65 or over	210	229	439

Sources of Foreign Born England, Ireland, Norway, Denmark, Netherlands, Germany, Armenian, Greece, Asia, Canada, Mexico, Czechoslovakian, Austria, Hungary, Yugoslavia, Russian and Italy. Of the total 2,265 females 14 years of age or older 620 or 27.4 percent were in the labour force, 430 were employed and 190 were unemployed in April 1950. 278 women were employed as private wage and salary workers, and 77 were government workers. Manufacturing employed 133 men and 53 women, a total of 186 or 10.4 percent of all employed. Median school years completed by persons 25 years or older was 8.6. There were 1,960 families and unrelated individuals in the city with a median income during 1949 of \$ 2,558. There were 105 with incomes of \$ 10,000 or more or 5.6 percent.

10. EMPLOYMENT IN THE SANGER LABOUR MARKET AREA — JULY 1952:

Estimates by the State Department of Employment indicate a population of 13,169 in the Sanger labour market area. Estimated total employment in this area July 1952 was 5,423 of which 4,177 were male and 1,246 were female. Non-agricultural employment was estimated as 285 in construction, 558 in manufacturing, 344 in transportation, communication, and other utilities, 1,128 in wholesale and retail trade, 117 in finance, 878 in services, and 263 in government. Seasonally, manufacturing employment in the food industries ranged from a low of 195 in March to a high of 306 in October 1952.

11. OTHER CHARACTERISTICS OF THE LABOUR FORCE:

Extent of Unionization Community is partially organized. In the small towns surrounding Fresno unions are practically non-existent.

12. PREVAILING WAGE RATES:

Rates per hour for male workers March 1954 were: Machinist: \$ 2.1; Punchpress Operator \$ 1.50; Carpenter (const.) \$ 2.87½; Electrician \$ 3.25; Laborer (const.) \$ 2.15; Laborer (canning) \$ 1.46; and Truck-driver (heavy) \$ 2.15. For female the monthly rate for a Stenographer was \$ 175 to \$ 250 and the rate per hour for a Sewing Machine Operator (clean, dye and press) \$.96; and a Fruit Packing Hand \$ 1.30. Other rates were Welder \$ 2.; Painter \$ 2.75; Auto Mechanic \$ 2; Female Clerk 85c to \$ 1; Unskilled (f) 85c to \$ 1.30, (M) \$ 1 to \$ 2.

## 13. HOUSING AVAILABILITY, PRICES AND RENTALS:

The housing census as of April 1950 showed 1,927 dwelling units, of which 33.7 percent were in structures built since 1940, and 1, were occupied. Of these 1,137 were owner occupied, or 62 percent, and had a median value of \$ 6,546. Of the renter occupied dwelling 37.2 percent rented for less than \$ 20 per month, 44.1 percent for \$ 20 to \$ 39 per month, 9.1 percent for \$ 40 to \$ 59 per month and 5.1 percent from \$ 60 to \$ 74 per month, with 4.5 percent in excess of \$ 75 per month. Median contract monthly rental was \$ 22.81. Since 1950 rents have risen about 15 percent. During the 3 year period since April 1950, permits have been issued for 115 new dwelling units. There is 1 hotel in Sanger with 20 rooms, and no motels in the area. Ample supply of rooms for rent in private homes.

## 14. COMMUNITY FACILITIES:

Sanger has a general hospital with a bed capacity of 17. Other medical facilities include 5 physicians and surgeons, 4 dentists, and 1 optometrist; 1 chiropractor, Pathological and Clinical Laboratory & X-ray.

Educational facilities include 5 elementary schools with enrolment of 1,400, junior high school with enrolment of 300 and 1 high school of 750. Adult night high school with enrolment of 100. School administration makes available courses in all vocation fields.

There are 18 churches, 1 library, 1 newspaper and 1 bank. Recreational facilities include 2 theatres, 2 parks, 7 playgrounds and full-time supervised recreation. Multi-purpose room seating 700 or 300 for dinner.

Nearby are 4 golf courses, Yosemite, Kings Canyon and Sequoia National Parks, Friant and Pine Flat Dams, Huntington and Shaver Lakes and two National Forests. Good fishing and hunting within an hour and half time from Sanger.

## 15. MANUFACTURING:

There are 24 manufacturing plants in the community. Leading group classes of products are: Fruit Packing (11), Food Processing (2), Light Machinery (2), Cold Storage (1), Winery (3), Raisin Packing and Dehydrators (4), Garment Factory-Light 1.

The six largest manufacturing firms in the area are:

<i>Name of Company</i>	<i>Employment</i>	<i>Products</i>
Bayly Garment Manufacturing Company	200	Overalls and Jeans
General Nailing Machine Corp.	50	Packing Machinery
Fruit Packing — 11 (seasonal)	600	Fruit Packing

Facilities include several machine shops.

Survey By: The Sanger District Chamber of Commerce, in co-operation with the Industrial Plant Location Committee, California State Chamber of Commerce, with the assistance of the U. S. Census Bureau, Fresno State College, Pacific Gas + Electric Company, Sanger Telephone Company, City of Sanger.

## ANNEX IV

### WAGES AND GENERAL CONDITIONS OF EMPLOYMENT IN THE UNITED STATES (1954)

#### IRON AND STEEL INDUSTRY

Since April 1947, wages have been fixed in each plant on the basis of a system of job evaluation covering the whole of the iron and steel industry. The introduction of this system goes back to a 1944 directive issued by the National War Labor Board (set up in 1942) endeavouring to ensure an equitable evaluation of the demands made by different jobs, and at the same time to cut down the number of different wage items, reckoned at 50,000.

There are now 32 wage classes covering all existing jobs.

Classification of these jobs is by a system of points according to the different types of requirements for different types of work. The scale of this point system is as follows:

Capability	{	1. Training previous to work.
		2. Training and experience during work.
		3. Intellectual abilities.
		4. Manual skill.
Responsibility	{	5. Responsibility for materials.
		6. Responsibility for tools and equipment.
		7. Responsibility for operations.
		8. Responsibility for safety of others.
Effort	{	9. Mental effort.
		10. Physical effort.
Working conditions	{	11. Influence of environment.
		12. Accident hazard.

For each of these classes a number of points are allotted. For each job a description is provided of the different types of requirements and points are awarded accordingly. The maximum total is 43.

For the first wage class, the standard home base rate is \$ 1.57, rising by \$ 0.55 per class to reach \$ 3.27 in class 32.

Agreements are signed and jobs classified by the individual enterprises and the union on the basis of the job evaluation system.

By means of this system it has been possible

a) to adopt standard definitions for the same work and the same jobs, thus achieving a high degree of wage equity;

b) to establish standard wage scales throughout the iron and steel industry.

## 2. Amount of wages

The standard rate given under (1) above serves as the basis for the wage system.

Over and above the standard rate, various bonuses are generally payable in accordance with work done, either individually or by a team or unit. Union representatives have said that they are opposed to the bonus system, but that so far it has not been possible to secure anything more than the basic wage except by supplementary bonus agreements.

The average hourly wage rate in the iron and steel industry is at present \$ 2.50. This is, in comparison with the wage in Europe, very high in relation to the general cost of living.

Apprentices receive the basic wage only. During their first year of training they get \$ 1.57, which increases by \$ 0.055 after every 1,000 hours worked. After completing the three or three-and-a-half-year training period, they get the basic wage of the skilled worker who has undergone training. It is only tradesmen (mechanics roll turners, bricklayers, etc.) who are apprenticed; boys starting work on the production side are not. In any case, training can only start when the trainee has reached the age of 18, since youths below that age cannot be employed in the iron and steel industry.

Women are paid the same rates as men.

No differentiation is made between white and colored workers as regards wages.

## 3. Hours of Work, Overtime Pay and Shift Differentials

The five-day week of 40 hours is in general use.

In blast-furnaces and steelworks with rolling mills attached, work is continuous, with each worker doing an average of 42 hours a week in accordance with a fixed rota.

For every hour worked in excess of eight hours in a work day or 40 hours in a pay-roll week, he is paid time and a half. For hours worked on the afternoon shift he is paid a premium rate of 6 cents per hour, and for hours worked on the night shift a premium rate of 9 cents per hour.

## 4. Calendar Holidays

There are six holidays, viz.

January 1  
May 30  
July 4  
Labor Day  
Thanksgiving Day  
December 25.

Work on these days is paid double. All these holidays are worked except Christmas Day.

## 5. Vacations

Vacation is based on length of service as follows:

- 1— 5 years service: 1 week;
- 5—15 years service: 2 weeks;
- over 15 years service: 3 weeks.

During his vacation the worker is paid the average of what his earnings would have been if he had remained at work.

## MINING

### 1. Wage system

There is no wage system on a job evaluation basis as there is for the iron and steel industry. In any case, such a system as it stands would not be applicable in respect of the coalmining industry.

There is also no job-work or piece-work in the ordinary sense. Coal-getting is done mechanically at a rate which the miner is compelled to follow: thus, although this cannot be expressed in figures we may perhaps describe the system as indirect piece-work.

### 2. Amount of Wages

There are two distinct wage classes according as the worker is employed above or below ground.

The underground workers employed directly on coal-getting, such as those operating the power cutters, drills, roof-packing machines and loaders, are paid \$ 20—22 per 8-hour shift.

Workers employed on preparatory work are paid a fixed wage of \$ 18.35 per shift. This group also includes haulage workers.

Tradesmen, such as, in particular, mechanics, receive a fixed wage of \$ 19—20 per shift.

Surface workers, such as those engaged on washing, are paid wages varying from \$ 15 to \$ 18 in different collieries, the average wage is \$ 16.35 per shift.

### 3. Hours of Work

The 8-hour day and 5-day week are the rule, i. e. 40 hours per week.

For the underground workers the shift includes the time taken to go down and come up, and a half-hour break, so that the time actually worked is approximately 6½ hours per shift.

### 4. Vacations

Vacations are fixed uniformly at 10 days per calendar year.

Vacation pay is \$ 100, irrespective of the worker's job and wage. This sum is also paid when the worker prefers not to take his leave but to continue working instead.

## ANNEX V

### VOCATIONAL TRAINING IN THE UNITED STATES: GENERAL SUMMARY

Within the trade or industry, the rigidity resulting from the seniority rule is to some extent corrected by the flexibility created by the practical methods of quick training on the job. These methods, or rather processes, are applied by foremen with special educational training and by engineers who have been dealing with concrete industrial problems since their university days.

The vocational training of the worker in the United States has to be envisaged in the general perspective of industry and society. For the concept of the "producer" is undergoing a devaluation in three ways.

- 1) In the enterprise, skill is tending increasingly — and more in the United States than anywhere else — to shift from the man to the machine and the company.
- 2) In the economic society, and indeed in our society generally, the concept of the "customer" is gaining preponderance over that of the "producer". The worker as conceived of in Europe becomes in the United States a multi-purpose "operative" who can pass from one plant to another, from one industry to another, from agriculture to industry. In consequence of increasing social integration this "operative" is principally regarded, in the industrial economy itself, as a buyer whose purchasing power it is economically desirable to increase. Hence the specific qualities of the producer, as aimed at in vocational training programs of labour organization and living standards, which combine at once both production and consumption.
- 3) The depreciation in the concept of the "skilled producer" is confirmed by the increasing part taken by the unions in the technical study of labour organization problems. Here, too, competency is passing out of the worker's hands to another plane, to the union technical department which is in a position to assess the overall value of technological change.

This threefold devaluation of the "producer" concept would appear to explain the numerical increase in semi-skilled and unskilled workers. Developments in the union movement over the last thirty years have been characterized by the emergency of industrial unionism (particularly in the coalmining and iron and steel industries), which as such covers workers who are not required to possess special skills beforehand, but are trained quickly on the job.

This general trend away from the skills of the former self-contained trade-groups, which is regarded by the unions as allowable strictly at enterprise level, is receiving their closest attention in regard to its wider implications. Trade unionism, in the full sense of the term, is not confining itself simply to efforts to get the official apprenticeship standards better observed: it is urging, and concluding, agreements with the companies to finance schemes for retraining the workers in the new technical methods. In face of the foreseeable

effects of the technological developments now going on, the industrial unions are stressing the need for what they call a responsible social policy, which will, inter-alia, make it possible to gain a picture beforehand of what technical and social situations are likely to arise, and hence to work out the extent of the future shift in the labour force and the financial and technical means required for retraining the workers concerned.

#### 1. VOCATIONAL TRAINING OF WORKERS

Vocational training in the coalmining and iron and steel industries of the United States is less extensive and systematic than in those of the Community. The American worker is ready for his job more quickly than his European counterpart. This is due to the general methods employed to train the American citizen-worker, and to the way the work is organized. A feature of the American collieries and steelworks is the speed with which they get their trainees on to productive work, within a few weeks.

A man taken on by a colliery is first employed as a general mine-worker. After a very few weeks, he is given a responsible job in the production circuit. If he does not give satisfaction, he is discharged forthwith. Of the 3,500 classified trades in the iron and steel industry, American union experts state that less than 30 require an apprenticeship.

*What, then, are the basic principles in regard to training?*

The answer is: practice, which develops skill, combined with the seniority rule. As regards the various trades in the coalmining and iron and steel industries, it can be stated that, in America, it is experience which counts; the new-comer starts with the rudiments of the trade and gradually moves up the promotion ladder until he becomes a skilled worker.

All trades within a particular department being only variants of one particular qualification, competence acquired in one such trade serves as a basis for more acquiring advanced competence in the other trades under the same general qualification.

*The seniority rule is the motive force of the whole system*

The union agreement stipulates that promotion shall be based on seniority and ability, seniority to be the determining factor.

Thus the senior worker in each trade is assumed to have virtually acquired the greatest experience for the next higher trade group, and is considered to be the best qualified for any promotion that may be going.

The agreement further stipulates, as a subsidiary point, that in the event of a temporary vacancy (e. g. when a worker is away sick) the employee with longest continuous service, who holds the lowest comparable post in the unit, automatically gets the temporary post.

Where workers are discharged, it is the latest arrivals who are the first to go, irrespective of their occupational value. Length of continuous service takes precedence over merit and competence.

The amount of time spent with the firm is, therefore, considered more important than vocational training. The union's attitude on this point is very firm and is due on the one hand to the prime interest of the union in the enterprise as such, and on the other to the conviction, which is not confined to the unions, that continuous economic expansion regularly absorbs the workers thus released.

*The seniority principle is operative within the enterprise, but not within the industry.* When personnel departments recruit production workers by calling on the labour market, no allowance is made for previous trade classifications. Pre-recruitment operations as a rule include inquiries as to previous occupations, family position, references as to character from former employer, general psychology by means of tests, and physical fitness. All such preliminary work is thus aimed at finding out more the applicant's general abilities than his occupational potentialities as such.

Dismissal takes effect forthwith, and automatically entails forfeiture of seniority. In fact, three days' absence without a legitimate reason is already grounds for forfeiture of seniority.

The various enterprises visited in the course of the tour allowed the Team to check up on the application of standard rules on recruitment, training and discharge.

*In the coalmining industry,* the unions regard apprenticeship as altogether unnecessary. New-comers are trained on the spot by older hands. There are no apprenticeship centers in the American collieries of the type found in most of the coal-producing countries of the Community.

Colliery executives are not bound by any agreement or legal obligation in regard to introduction to the work and vocational training. A number of big coalmining companies are, however, organizing courses for their supervisory staff. At one of the collieries visited by the Team, courses were being held lasting twenty weeks with one hours' instruction a week. They deal with first aid in accidents, and also with the safety regulations to be observed in the workings. The instructors are engineers at the colliery concerned, doctors, and inspectors from the Bureau of Mines, the Official institution which carries out safety checks in the mines.

Courses are also organized for the personnel. Attendance is optional. Lectures are given by the company's mining engineers and by inspectors from the Bureau of Mines. As a rule, in enterprises where such courses are held, 70—80 percent of the personnel employed in the colliery attend or have attended them. At the end of the course, workers passing the proficiency examination are awarded a diploma or certificate by the Bureau of Mines.

Engine-men are given training by the technical personnel and are shown how to restart the machine, or even to repair it, where the breakdown is not too serious and can be repaired on the spot. Apart from this exception, we saw and heard in the course of the lectures and visits nothing which have provided us with information on the general organization of vocational training in collieries as we show it. It can definitely be stated that organized vocational training does not exist.



In the iron and steel industry, the Team did come across modernization programs which included measures to instruct the personnel. The modernization plan for one such plant had been discussed between the manufacturer and the union. The personnel were notified in advance. Some 600 out of the 2,500 workers were affected by the new measures. The most junior workers were laid off, and a redistribution of personnel was studied. Those accepting the severance allowance forfeited their prospects of re-engagement.

Seniority agreements were concluded, under union supervision, in each branch of the plant. A large scale program was introduced, from the rolling-mill to the tube works. Workers from the company were sent to other plants for quick training. Skilled specialist workers were called in from outside for three months, with union approval. Tube workers who, on the strength of retaining their seniority rights, volunteer to go to the new rolling-mill, are trained by specialists. Upon each transfer, the new-comer is always put on to the simplest work. The worker is put on trial for 60 days to learn a new job.

The steelworker on the production side does not, therefore, have to undergo a systematic apprenticeship. This is confined to certain maintenance trades, such as those of mechanic, electrician, toolmaker, welder, sheet metal worker, bricklayer, joiner, painter, patternmaker and carpenter.

To understand the incidence of apprenticeship in the different sectors of American industry, we have to make a distinction between the basic industries and the manufacturing industries. The *basic industries* — coal, steel, chemicals, paper — supply the manufacturing industries. They are designed to work or make a particular product, and in them most of the trades are operator trades. The training usually required is by progressing in three trades, which gives the proficiency and knowledge necessary for more highly skilled trades. These industries require skilled workers for the maintenance and installation of the plant, and their apprenticeship is generally limited to this type of activity.

The two most important *manufacturing industries* are building and ship-building. In these, the work varies so much that it generally calls for skilled labour. For this reason, these industries have the greatest concentration of skilled workers. The managements and the unions have always regarded apprenticeship as the most practical method of training skilled workers. It is for this reason that the building industry's response to the Administration's development drive has been to set up national committees for different trades and numerous joint local apprenticeship committees which determine and provide the assistance needed to implement local programs for training apprentices.

Other manufacturing industries have introduced apprenticeship to train specialists for the maintenance trades; among these are, for instance, the railroad companies, the airlines, and the many maintenance and repair shops existing in every plant.

In the manufacturing industries, the position of the skilled worker has changed inasmuch as he is employed on the maintenance side, for the installation of equipment and the production of the usual tools. It is no longer the

skilled worker who makes the product. His work instead is making it possible where there is mass production to create jobs which are so equipped with tools as to enable workers of limited skill to do the work required.

When the Team visited steelworks, they were able to note the way in which the articles of apprenticeship were observed.

The metal-workers' unions recognize that a small number of trades to demand special aptitudes and a training which cannot be acquired by practice alone, and have therefore, in conjunction with the companies, introduced apprenticeship progress.

The Federal Apprenticeship Bureau, a section of the Department of Labor, has laid down minimum standards (most of which have been accepted by the unions), to serve as a basis for the specific indenture governing, for instance, the training of electricians.

The document is signed by the company and the union acting with equal rights, and registered by the Federal Apprenticeship Bureau, which guarantees the basic standards.

The contract specifies the duration of apprenticeship at the works (8,000 hours in the case mentioned), the allocation of this period to the particular subjects to be studied, and the time to be spent at a center outside working hours (114 hours, in the case mentioned); also, the regular wage increases, the periodical examinations, the foreman in charge of the program, the special apprenticeship committee (with equal representation for the company and the union) responsible for the implementation of the indenture, and the conditions for the admission, promotion and final passing out of trainees.

The unions secured the basic living wage for apprentices, and also certain wage increases.

In the iron and steel industry, the apprentice starts with the minimum rate of pay for the basic job class (\$ 1.57 per hour).

The normal apprenticeship lasts 3 or 4 years. The regular apprentice moves up every six month into a higher class, with an automatic increase in his hourly rate of pay.

Finally, to round off his training, he remains for a further year in an intermediate position, and thereupon receives the regular standard wage for a standard skilled trade.

Certain unions specify that apprentices must join the union as soon as they are accepted. Sometimes they are only accepted when they achieve the status of workers.

In the coalmining industry, the unions regard the apprenticeship system as entirely unnecessary. Our information indicates that there are no apprenticeship centers for training young miners in the American collieries.

In any case, no workers under 18 are now permitted to work in the mines. Before 1937 youths under 18 used to do so: they were employed on maintenance work or as assistants to skilled workers. This practice was discontinued, as these young people had not sufficient experience and sense of responsibility for the job, and moreover, their presence in the mines made it necessary to introduce special measures for supervision and control.

Some collieries then took the initiative of setting up apprenticeship centers for the boys, but this method has since been given up.

Today only adult workers are employed in the collieries. Miners, like all other American citizens, can, after attending school up to the age of 18, go on to improve their occupational qualifications if they take the trouble to do so. By his own efforts he can move up the promotion ladder to the highest posts, but he can only do so by hard work.

Most trades in the coalmining and iron and steel industries have become operator jobs, which do not call for a systematic apprenticeship because training is by progress in the trade, whereby the worker acquires the necessary proficiency and knowledge for the more highly skilled trades.

When an applicant for a steelworker's job has an average general aptitude for the post, he is taken on. Starting in the lowest grade, he may rise to become for instance, a shearer's mate, and then a shearer. Or he may be transferred to the rolling-mill and become first a roller's mate, and then a roller. In a colliery, the unskilled beginner starts as a hewer, and may go on to become an overman and even finally an engineer.

*Generally speaking, then, we may say that entry into a trade has been simplified:* no previous qualification is required; the trial period lasts 30 to 90 days, during which the worker acquires seniority; there is no system of giving notice (new-comers may be discharged on the spot); *the training and instruction period is kept down to a minimum.* Workers are judged during the trial period only: if they are found suitable, their seniority then begins to be operative. The seniority rule, while relating the advantages which the worker can derive to the time he has spent with the firm, hardly seems to encourage the promotion of the young and capable workers. Although upgrading is by seniority, workers do not remain where they are unless they are up to the job.

Vocational training is therefore reduced, in the coalmining and iron and steel industries, to an empirical system whereby a more or less trained man can be very quickly put on to a job where there is every possible advantage as regards equipment and the work is prepared beforehand to such an extent that no initiative whatever is required from the operator.

## 2. TRAINING OF SUPERVISORY STAFF

*American plants operate with a very big supervisory staff.* A charge-hand has as a rule only ten or dozen workers under him. The foreman is one of the essential cogs in American productivity: where we say in Europe that "the team is as good as the individual worker", the form in the United States would be more "the team is as good as the key worker, and the key worker is a good as his foreman." What has been the general experience in connection with the big industrial adaptation and reconversion operations at the beginning and end of the war?

To bring the economy on a war basis, it was necessary to get people to work in the plants who had never done such work before. To bring it back on to a peace-time basis, it was necessary to reinstate the millions coming back from the armed forces. In this mass engagement of inexperienced

personnel, followed by mass retraining of workers suddenly changing their occupation, one of the main efforts was clearly centered on the training of supervisory staff and chargehands, and this principle has now become firmly established because of the success achieved.

Faced with a growing mass of workers willing to go anywhere and do anything, and whose potential mobility increases in proportion as vocational training requirements decrease, American industry is constantly striving to improve the qualifications of those directly responsible for taking on the new worker, introducing him to this job, summing him up, and, where appropriate, retaining his services. In the training of foremen stress is laid, among other things, on the way to prepare for the job of instructor, the different methods of teaching, and the way to handle new-comers. The foreman must know how to teach quickly as well as to give orders. He is the first grade of the management: he is a technician, organizer and educator, all at the same time.

To rise to the rank of foreman, a worker needs 3-5 years' practical experience on the job, a secondary education and vocational training as well as attendance at special courses to develop gifts of leadership.

*The importance of the foremen may be judged from the tricky union problems arising in connection with them.*

Some unions admit them as members, since they regard them as being in a position to encourage the observance of union rules and improve relations between the union and management. Others exclude them on the grounds of fundamental incompatibility between the function of the employer and that of the union.

Unions consisting entirely of foremen have, it seems, made unavailing efforts to secure recognition in the mass production industries. The metal-worker's unions generally exclude foremen. Clearly, therefore, the companies have to give their closest attention to the training and follow-up training of foremen, in order to enable them to familiarize the workers quickly with the production process. But it seems probable that sooner or later the status of the foreman in the United States will depreciate in value, as the traditional workers' skills have done, and that the scope of his functions will be restricted. It is not merely at the level of the ordinary worker that rationalization will limit man's competency.

Immediate supervision of the worker is carried out by the chargehand and the foreman as executive agents of the company's policy, assisted by the time-keeper, the time and motion study expert, and the production engineer.

The company's Board defines the objectives, and management implements them.

*Vocational training of the executive grades* is characterized by the same practical approach already noted, and by the same absence of worship for academic qualifications or previous experience. Every American university has a graduate school of business administration and management. American engineers are trained either by supervisors on the job (for both the universities and the companies provide opportunities for subsequent further studies), or

by a full-time course of studies. The close association between the universities and industry on scientific research is also extended to the training of engineers: this is of a composite nature, divided between the university and the plant, with practical work alternating with periods of full-time study. This interpenetration of universities and companies puts the prospective engineer in direct touch with the concrete problems of factory management, and in addition ensures that there is a lively exchange of ideas between the universities and the different industries.

Candidates enter the engineering colleges after successfully concluding their high school education; although most of these colleges do not prescribe a selective entrance examination, this is corrected by the fact that an engineering degree of itself confers no particular rights. Some American universities, including Harvard and Yale, have union foundations to train workers' representatives in management.

*We might almost venture to state that the degree of vocational training required of the American production worker is in inverse proportion to that required of everyone else in the enterprise.*

In any event, it can be stated that the American foreman, and his director too, are obliged to undergo constant refresher training, in obvious contrast to the European custom which insists not only on stability of employment, but also stability of competencies.

The rate of technical progress seems to be better appreciated in the United States than in Europe, as is shown by the greater adaptability of the higher grades of supervisory staff, from the foreman up to and including the director.

Managements strive above all to be efficient themselves. A director with no special assignment is paid less than a director with an actual job to do. Directors go back to school just like their supervisory staff.

There is a constant exchange of experiences and views between the technical colleges, the universities and industry, enabling certain study programs to be adjusted to the practical requirements of an expanding economy.

In a market governed by prices, the enterprises are permanently engaged on organization and rationalization measures, which immediately affect the programs for the follow-up training of the administrative and technical supervisory staff. Budgetary control and constant reviewing of production costs necessitate strict control of the circulation of the product. This control can be strict and effective only provided it is properly understood and implemented at every level of the enterprise. This systematic organization probably involves an increase of personnel not directly employed on production, but this is certainly offset by the saving in time on actual production. The preparation of the work by the planning office nowadays requires only the minimum of initiative from the production operative. Vocational training of the supervisory staff appears to receive a great deal more attention than that of the production workers. The mobility of the supervisory staff is certainly not the same as that of the workers. Every individual employed in the enterprise has a definite position and is responsible for his particular sector. Authority is

clearly defined, and no one would think of concerning himself with any section, but his own, but the individual can probably change his section more easily than he could in Europe, where the hierarchies and supervisory duties tend to become set. An expanding economy centered on technical progress must inevitably alter the pattern of its industrial population both at worker level and at supervisory level. In this regard all too many Europeans stop seeking to improve their qualifications as soon as they finish their actual studies.

## ANNEX VI

### WHAT IS THE FEDERAL HOUSING ADMINISTRATION ?

The Federal Housing Administration was established under the provisions of the National Housing Act approved June 27, 1934. At its head is a Commissioner appointed by the President by and with the advice and consent of the Senate. Since July 27, 1947, the FHA has functioned as a constituent of the Housing and Home Finance Agency.

The chief purposes for which the FHA was created are to encourage improvement in housing standards and conditions, to provide an adequate home financing system, and to exert a stabilizing influence in the mortgage market.

Under authority of the National Housing Act as amended, the FHA provides insurance against loss on various types of loans made by private lending institutions. The FHA does not make loans, and does not plan or build housing.

Mortgages and property improvement loans insured by the FHA provide for repayment in periodic instalment. The monthly mortgage payment covers principal; interest at not over 4¼ percent for mortgages on multi-family projects; the FHA mortgage insurance premium computed at ½ of 1 percent annually on outstanding balances of principal; fire and other hazard insurance premiums; real property taxes; and special assessments and ground rent if any.

Home mortgages insured by the FHA may contain a so-called "open-end" provision by which the outstanding balance may be increased by amounts advanced to the borrower for improvements, alterations, or repairs to the property. Such advances may not increase the outstanding balance to an amount greater than the original mortgage amount unless they are used to add rooms or other enclosed space to the dwelling.

Mortgage amounts may be higher in Alaska, Hawaii, and Guam than elsewhere.

#### PROPERTY IMPROVEMENT LOANS

Title I of the Act authorizes the FHA to insure financial institutions against loss on loans made to finance alterations, repairs, and improvements to existing structures and the building of small new structures for non-residential use. The extent of FHA liability for insurance of these loans is limited to 90 percent of the loss on individual loans and to 10 percent of all such loans made by the institution.

The loans are made by private lending institutions to borrowers with satisfactory incomes and credit records. The borrower must own the property, or have a lease expiring not less than six months beyond the maturity of the loan, or be purchasing the property on contract. Loans for general home repair

or improvement purposes may not exceed \$ 2,500 or have maturity in excess of three years. Loans for repair or conversion of multi-family structures may be in amounts up to \$ 2,500 per family unit or \$ 10,000, whichever is less, and may have a maturity of seven years. Loans for the building of new non-residential structures may be up to \$ 3,000 in amount and have a maturity of three years, except that if the structure is for agricultural use the maturity may be longer.

The lender pays to the FHA an insurance charge on each loan made, and this revenue is sufficient to make the program self-supporting.

Under present law, FHA authority to insure property improvement loans expires on June 30, 1955.

#### HOME MORTGAGE INSURANCE

##### *Section 203*

The principal activity of the Federal Housing Administration is the insurance, under Section 203 of Title II, of mortgages on both new and existing one- to four-family homes.

The amount of mortgage insured under Section 203 may not be more than \$ 20,000 when the property is a dwelling for one or two families, \$ 27,500 for a three-family dwelling or \$ 35,000 for a four-family dwelling.

Within the above limitations, an owner-occupant may obtain a mortgage loan that represents as much as 95 percent of the first \$ 9,000 of the property value as appraised by the FHA, plus 75 percent of the appraised value above \$ 9,000, if the property is approved by the FHA for mortgage insurance before construction starts, or 90 percent of the first \$ 9,000 of value and 75 percent of the remaining value if the property was built without prior approval by the FHA.

When the borrower is not the occupant of the property, the mortgage cannot exceed 85 percent of the amount that would be available to an owner-occupant.

The down-payment made by the borrower must be at least 5 percent of the FHA estimate of the cost of acquisition of the property.

The term of repayment cannot be more than 30 years and not more than three-fourths of the FHA estimate of the remaining economic life of the dwelling.

In addition to the usual type of mortgage insured under Section 203, the Act provides for three special types:

1. Mortgages in amounts not over \$ 6,650 and not over 95 percent of the appraised value of the property may be insured on single-family owner-occupied homes located in outlying areas and small communities where it is not practicable to obtain conformity with many of the requirements essential to the insurance of mortgages on housing in built-up urban areas. The borrower must make a cash down-payment of at least 5 percent of the cost of acquisition; or a person or corporation acceptable to the FHA Commissioner may lend to the mortgager all or part of the required down-payment on a note maturing after the maturity date of the mortgage, and may guarantee payment of the loan.



If the mortgagor is a builder, the mortgage amount may be not over 85 percent of the property value and not over \$ 5,950.

The insurance authorization under this provision of the Act covers mortgages on farm homes on plots of land 5 acres or more in size adjacent to public highways.

2. Mortgages up to 90 percent of appraised value, to finance specified types of permanent housing sold by the Government may be insured under Section 203.

3. Mortgages in amounts up to \$ 7,000 representing up to 100 percent of the estimate of value, made to finance the replacement of properties damaged or destroyed by major disasters, may be insured under Section 203.

On Section 203 mortgages of \$ 6,650 or less, the mortgages may require the borrower to pay an annual service charge not to exceed  $\frac{1}{2}$  of 1 percent on monthly declining balances of principal.

#### *Homes for Servicemen*

Section 222, added to Title II of the Act in 1954 to aid in the provision of housing for servicemen in the Armed Forces and the Coast Guard, authorizes the insurance of mortgages on owner-occupied one-to four-family dwellings, in amounts up to \$ 17,100 and up to 95 percent of appraised value, maturing in 30 years or less. The insurance is subject to certification by the Secretary of Defense (or the Secretary of the Treasury when the mortgagor is serving in the Coast Guard) to effect that the serviceman requires housing, and that he is serving on active duty and has been on active duty for more than two years. The Secretary of Defense (or the Secretary of the Treasury when the borrower is serving in the Coast Guard) will pay the mortgage insurance premium during the period of ownership by a serviceman.

#### CO-OPERATIVE HOUSING

Under Section 213 the FHA insures mortgages, including advances during construction, on co-operative housing projects of 12 or more units.

The mortgagor must be a non-profit co-operative ownership housing corporation or trust, the permanent occupancy of the dwelling being restricted to members of the corporation or beneficiaries of the trust (management-type project) or a non-profit corporation or trust organized for the purpose of building homes for members (sales-type project). The mortgage on a sales-type project contains provision for the release of the individual properties from the blanket project mortgage, and individual mortgages covering the individual dwellings may be insured under Section 213.

The mortgage amount is governed by the following limitations:

1. \$ 5 million (or \$ 25 million for mortgages regulated by Federal or State laws or by political subdivisions of States or their agencies).

2. \$ 2,250 per room (or \$ 7,200 per family unit if the number of rooms in the project is less than 4 per unit).

3. Ninety percent of the estimated value of the completed project.

When at least 65 percent of the members are veterans, the mortgage may be as much as \$ 2,375 per room (or \$ 7,600 per family unit if the number of rooms in the project is less than 4 per unit) and 95 percent of the estimated value of the completed project.

The per-room and per-family limitations may be higher, when cost levels so require, in projects consisting of elevator structures.

Section 213 authorizes the FHA to furnish technical advice and assistance in the organization of co-operatives and in the planning, development, construction, and operation of co-operative housing projects.

#### RENTAL HOUSING

Under *Title II, Section 207* of the National Housing Act the FHA insures mortgages, including advances made during construction, on rental projects of 12 or more units. The amount of the mortgage may not exceed any of the following limitations:

1. \$ 5 million (or \$ 50,000,000 if the mortgager is a Federal or State corporation regulated by Federal or State laws or by a State banking or insurance department).

2. Eighty percent of the estimated value of the completed project; or 90 percent of estimated value if the mortgage amount does not exceed \$ 7,200 per family unit and if the number of bedrooms in the project equals or exceeds an average of two per family unit; and 90 percent of replacement cost for projects located in Alaska or Guam.

3. \$ 2,000 per room, but not to exceed \$ 7,200 per family unit if the number of rooms in the project is less than four per family unit. These amounts may be increased to \$ 2,400 per room and \$ 7,500 per family unit, respectively, when cost levels so require, in projects consisting of elevator structures.

The maximum mortgage maturity is 39 years 3 months. The mortgagor is required to certify that in selecting tenants he will not discriminate against families and children.

Mortgages to finance specified types of permanent housing sold by the Government and covering five or more units may be insured under Section 207. If the property is to be owned by a non-profit organization that limits occupancy to members of whom at least 65 percent are veterans, the mortgage may equal 95 percent of appraised value. For other types of ownership, mortgages may not exceed 90 percent of appraised value.

*Title VII* is designed to encourage investment in debt-free rental housing for families of moderate income. The FHA is authorized to insure a minimum annual amortization of 2 percent of the established investment (including all approved costs prior to initial occupancy), and an annual return not to exceed 2—3/4 percent on the outstanding investment.

*Title VIII* authorizes FHA insurance of mortgages in amounts not exceeding 90 percent of estimated replacement cost but not in excess of \$ 5 million on rental housing built on or near military reservations for the use of military or civilian personnel of the Army, Navy, or Air Force, on certification by the Secretary of Defense, and rental housing for employees of Atomic

Energy installations on certification by the Atomic Energy Commission. Mortgages are also limited to an average of \$ 8,100 per unit except that in certain circumstances the limit may be raised to \$ 9,000 per unit.

Commitments of mortgage insurance on new construction under this title may not be issued after June 30, 1955.

#### HOUSING FOR CRITICAL DEFENSE AREAS

*Title IX* provides for the insurance of mortgages on housing programmed by the Administrator of the Housing and Home Finance Agency for areas designated by the President as critical defense areas. No commitment for mortgage insurance on new construction may be made after June 30, 1954, except that the President has stand-by authority until July 1, 1955 to authorize the use of *Title IX* for Federal aid in the provision of defense housing during certain periods or for a specific project or projects.

#### URBAN RENEWAL AREAS

The Housing Act of 1954, approved August 2, 1954, adds two new mortgage insurance programs to the National Housing Act, to assist in the elimination of slums and urban blight, the conversion of existing properties and neighborhoods, and the relocation of families displaced as the result of slum clearance and urban renewal operations.

*Section 220* authorizes FHA mortgage insurance to assist in financing the rehabilitation of existing housing and the construction of new housing in slum clearance and urban renewal areas where Federal aid to slum clearance or urban renewal is being extended under *Title I* of the Housing Act of 1949, or where the community has an approved workable program for the prevention and elimination of slums and blight.

The maximum mortgage amounts for one-to four-family dwellings are the same as those under *Section 203*. Mortgages may be insured under *Section 220* on structures with more than four units, and for such a structure the mortgage may not exceed \$ 35,000 plus \$ 7,000 for each unit in excess of four. The maximum mortgage amounts on multi-family projects with 12 or more units are (1) \$ 5 million (or \$ 50 million if the mortgagor is a Federal or State corporation or a corporation regulated by Federal or State laws or by a State banking or insurance department); (2) \$ 2,250 per room or \$ 8,100 per family unit if the number of rooms in the project is less than four per family unit. If the project consists of elevator structures with construction costs requiring higher mortgage amounts, mortgage limits may be increased to \$ 2,700 per room and \$ 8,400 per family unit. The mortgage limitations for elevator structures may be increased by \$ 1,000 per room in high cost areas. The loan-value ratio for multi-family housing may not exceed 90 percent.

*Section 221* authorizes the FHA to insure mortgages on low-cost housing for families displaced by reason of governmental action in a community that has a workable program for the elimination and prevention of slums and urban blight, or where a Federally aided slum clearance and urban redevelopment project is being carried out. The mortgage may not exceed \$ 7,600, or 8,600 in high-cost areas, and 95 percent of value. If the mortgagor is not the occupant, the mortgage may not exceed 85 percent of value.

Section 221 also covers repair or rehabilitation or the construction of dwellings for rent, if the mortgagor is a private non-profit organization regulated under Federal or State laws. Rental housing mortgages are limited to \$5 million, \$7,600 per family unit (\$8,600 in high-cost areas), and 95 percent of value.

Maturities of Section 221 mortgages are the same as under Section 203. The mortgagee has the option after 20 years, if the loan is not in default, of assigning the mortgage to the FHA in exchange for 10-year debentures equal to the unpaid principal plus accrued interest.

#### VOLUME OF BUSINESS

As of June 30, 1954, insurance written by the Federal Housing Administration from the beginning of operations aggregated \$34.4 billion. Of this amount, \$7.8 billion represented property improvement loan insurance under Title I, and \$17.5 billion represented mortgages on one to four-family homes insured under Section 203 of Title II. War veterans' housing financed under Sections 603 and 608 of Title VI accounted for \$7.1 billion. (1) Rental-project mortgage insurance under Section 207 of Title II totaled \$357.1 million; co-operative housing mortgages insured under Section 213 of Title II, \$365.2 million; loans to manufacturers, and purchasers' notes, insured under Section 609 of Title VI, \$5 million (2); mortgages insured under Section 610 of Title VI to finance purchases of publicly owned housing, \$24.5 million (2); mortgages on large-scale projects of single-family homes under Section 611 of Title VI, \$12.5 million (2); mortgages on military housing under Title VIII, \$596.2 million; Title I Section 8 mortgages on low-cost single-family homes, \$104.5 million (3); and Class 3 loans under Title I to finance the construction of homes, \$126.6 million (4).

Of the aggregate insurance written, \$17.9 billion was estimated to be outstanding as of June 30, 1954. As of the same date, losses on the total amount of all mortgage insurance written amounted to 3/100 of 1 percent. Losses on property loan insurance under Title I have amounted to 1.00 percent, after recoveries on defaulted notes are taken into account.

From the beginning of its operations through June 30, 1954, FHA insurance covered 17.3 million property improvement loans, in addition to loans financing 4.4 million units of housing under other provisions of the National Housing Act. The greater number of these units have been new housing.

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(1) Most of the war housing produced by private enterprise in the 1940's, as well as a large volume of housing built under the postwar Veterans' Emergency Housing Program, was financed under the provisions of these two sections, which are now inactive.

(2) The Housing Act of 1954 provides that no mortgage or loan shall be insured under Title VI after August 2, 1954, except pursuant to a commitment issued on or before that date. The insurance authority under section 610 of Title VI is transferred to Section 223 of Title II.

(3) The Housing Act of 1954 terminates as of August 2, 1954 the insurance authority under Section 8 and provides a similar authority under Section 203 of Title II.

(4) The authority to insure Class 3 loans expired February 28, 1950.

## FINANCIAL POSITION

From the establishment of the Federal Housing Administration in 1934 through June 30, 1954 its gross income from fees, insurance premiums, and income on investments totalled \$882.8 million, while operating expenses amounted to \$346.1 million. Expenses of administration during the first three fiscal years of its existence, 1935 through 1937, were met from funds advanced through the Reconstruction Finance Corporation by the United States Treasury. During the next three fiscal years, 1938 through 1940, partial payments of operating expenses were met from income. Since July 1, 1940, FHA operating expenses have been paid in total by allocation from its insurance funds. During the fiscal year 1954, the capital advanced by the Government to finance the operation and administration of the FHA in its early years was repaid to the United States Treasury. The \$85.9 million total repayment included \$65.5 million principal and \$20.4 million interest.

As of June 30, 1954, the Federal Housing Administration had capital and statutory reserves of \$354.0 million, which had been built up from income.

## RESULT OF FHA PROGRAM

When the National Housing Act was passed in 1934, the real estate market was in a chaotic condition, resulting from the general economic situation that prevailed at the time and intensified by faulty lending practices in use before the depression. Activity in the building industry was at a low ebb — in 1933 only 93,000 new dwellings had been built in the United States, less than one-tenth of the number built in the previous record year 1925.

The immediate objective of the Act was to encourage private lending institutions to make money available to finance needed repairs to homes and other property, as well as to finance the construction of new homes. By these means private capital would have an outlet for investment, men in the building trades would be put to work, demand for building materials would be increased, and the entire economy would be helped toward recovery.

But the purpose stated in the preamble to the Act, "to encourage improvement in housing standards and conditions", had long-range implications that were even more important than the emergency aspect. The Act proposed to guide the creation of a sound mortgage market by helping to place future home financing on a realistic basis that would eliminate as far as possible the errors that had led to a collapse of the system previously in general use.

FHA insurance was a significant factor in the economic recovery that took place in the mid-thirties. Today we are so used to modern home financing methods that it is difficult to realize how great a change has taken place in 20 years. Many features of present-day mortgages had been developed before the establishment of the FHA; but they were not in general use, and their acceptance as standard procedure has been greatly facilitated by FHA operations.

Besides playing an influential part in the revision of mortgage lending practices, the mutual mortgage insurance system has other accomplishments to its credit. By providing a standardized mortgage instrument, it has made

possible the purchase and sale of insured mortgages on a national scale. It has also contributed materially to improvement in housing standards through the establishment of minimum property requirements, careful architectural analysis, construction inspection, and the establishment of methods of locating, planning, and developing subdivisions. Moreover, FHA analysis of local housing markets has helped to avert overbuilding in specific areas and price ranges.

From the beginning, FHA operations have been directed to the lower-price market. In the years of rising costs following the war, special effort has been made to encourage the production of housing both for rent and for sale, within the means of families in this section of the market. Efforts by the FHA to encourage the production of needed housing for minority groups have been instrumental in effecting a more favourable attitude on the part of builders and lenders towards increasing the volume of housing available to members of these groups.

## ANNEX VII

### RESOLUTION ON GUARANTEED ANNUAL WAGES

ADOPTED BY THE C. I. O. CONVENTION

NOVEMBER 20, 1953

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The demand of our affiliates for guaranteed annual wages is an important part of the CIO fight against the intolerable evils of mass unemployment. It is essential for the welfare of our people that this basic unsolved problem of democracy be overcome. Just as in the past our unions won the fight for democratic bargaining, for decent pay, for pensions and social security, so they must win their fight to lift the fear of lack of work and irregular incomes.

The average worker does not know from week to week when his job will suddenly stop, yet his family must still be fed and clothed and housed. He must drain his meager savings to supplement the inadequate benefits now available from unemployment insurance.

The entire nation is immeasurably poorer today because of the ravages of the 1932 depression.

By negotiating guaranteed annual wage agreements from wealthy corporations which occupy positions of great importance in our economy, CIO unions can enable workers to plan ahead with the knowledge that they will have steady incomes, thus bringing new security to workers' homes and greater economic stability to the nation.

While guaranteed annual wages are not a cureall, they will give business an incentive to cut down unemployment through better management planning and through support of constructive public policies that will accomplish this goal.

CIO unions understand the need of adapting the guaranteed annual wage plan for each particular industry.

The practical plans they have developed are designed to provide substantial protection at a reasonable cost. Our major affiliates have made clear that they will agree to limits on the employer's liability.

Various proposals have been advanced for reducing the cost of such plans, including their integration with unemployment insurance. Our unions propose that the guaranteed wage payment due to a particular worker should be reduced by unemployment benefits he receives. This would be much cheaper for employers and would permit a more substantial wage guarantee than would otherwise be possible. No extra load would be placed on UI funds. Instead, the volume of unemployment and therefore of claimants would be reduced.

Such integration is fully in accord with the basic purposes of unemployment insurance to maintain income and overcome the evils of unemployment.

There is growing realization of the justice and practicality of our proposals for guaranteed wages. Certain spokesmen for business, in advancing criticism of our proposals, are again emphasizing dollar costs rather than human welfare. They overlook or ignore the dreadful anxiety and the suffering that result from lay-offs and inability to find a job.

Modern industry has been wonderfully daring and inventive; its production techniques marvelous, its output fabulous. But the nation is strewn with blighted areas as well as with new plants. From the start of the industrial revolution, workers have had to battle the inhuman nature of modern industry, with its callous unconcern for the people who serve its machines and buy its products.

Stunted lives, maimed bodies, and ruined hopes have never appeared on corporate balance sheets.

The CIO has fought continuously, and with much success, against child labour, unsafe machines, the speed-up, unhealthy working conditions, and the entire concept of driving a man to the utmost and then dropping him on the scrap heap when his strength or usefulness was gone.

The Union movement speaks for human needs in industry as against the blind drive for profits. As we have protested each abuse, industry has charged we were ruining business, and interfering with management's rights.

Through the decades, by hard-fought battles at the bargaining table, on the picket line, in legislatures and political elections, we have proved that human needs can be met without disastrous results to industry. All the arguments now used against guaranteed wages were being used only five years ago against our demands for pensions, to use a recent illustration.

But the record proves our union demands have made possible the growth and expansion of American business. Our continued pressure for higher wages has created the mass markets that permit industry's vast output. Labour's insistence on free public education, reasonable hours, and healthier working conditions has created and preserved the skilled, effective labour force to meet the unexpectedly large demand for men and women in wartime and, we hope, in peace.

We have repeatedly saved business from its own blindness.

Now the same struggle for human needs is focusing on a new area — steady jobs and steady incomes.

The evils of mass unemployment are intolerable. They must be overcome, not with statements of good intentions, but by practical plans that will force balance-sheets to reflect human costs.

*Now, therefore, be it resolved:*

The CIO reaffirms its support of the efforts of our affiliates to negotiate guaranteed annual wage agreements. Their demands, as now being formulated, will once more compel industry to adapt its practices to meet basic human needs.



The time is ripe for action. World necessities drive the nation to maintain full production, and corporations, unions and government alike are at a stage where our demand can be realized.

We again declare ourselves in favour of the integration, wherever practical, of unemployment insurance and guaranteed wage plans as a method of helping both programs.

We ask responsible and thoughtful consideration of our proposals. We have repeatedly asked for joint study of relevant facts. We welcome open-minded discussion of alternatives.

We know that right is on our side, that human needs and welfare must come foremost. We are trying to improve the policies of American industry so it will not stumble blindly into the abyss of depression.

We again declare ourselves in favour of the integration, wherever practical, of unemployment insurance and guaranteed wage plans as a method of helping both programs.

We reaffirm our belief that negotiated guaranteed wage plans in the nation's basic industries would aid all groups in the community. A floor under the income of wage earners would mean a floor under the national income.

We urge all those interested in full employment and full production to join in supporting our efforts for guaranteed wages. Our demands are not only practical but they will be an important lever for assuring the continued economic progress of our country and our democratic allies.

## ANNEX VIII

### ANNUAL GUARANTEE AND SEVERANCE PROVISIONS

(EXCERPT FROM UNION EXHIBIT No. 6, "STATEMENT OF ARTHUR J. GOLDBERG, GENERAL COUNSEL, UNITED STEELWORKERS OF AMERICA", AS PRESENTED IN THE STEEL CASE OF 1952 BEFORE THE STEEL PANEL OF THE WAGE STABILIZATION BOARD.)

#### *Section XVI. — ANNUAL GUARANTEE AND SEVERANCE PROVISIONS*

Section 16 of the 1947 Agreement (with the U. S. Steel Corp.) contained provisions for severance allowance. These provisions, however, were quite narrow. They applied only when the Company permanently closed a plant, a department or a substantial portion of either. The only employees eligible were employees whose employment was severed because of the abandonment of such facilities. The section did not apply to the gradual reduction in size of a particular operation nor were employees who were transferred to other plants or departments even in much lower paying jobs entitled to its benefits. During the period of the 1947 Agreement, very few payments were made under the provisions of Section 16. The cost for the year ending September 30, 1951, for the whole industry, according to figures submitted to us by the industry, was infinitesimal.

#### *Union proposal*

The Union proposed that entirely new provisions be substituted to provide for the needs which a severance allowance provision is supposed to cover — that is, to give employees with established periods of continuous service with the Company some protection against unemployment and demotion and to give recognition to the individual's equity in his job.

The Union proposed that any employee who would be laid off or terminated should receive, for any period of unemployment up to one year subsequent to his lay-off, a minimum guarantee of 32 hours pay per week at his average hourly earnings. From this guarantee would be deducted any amounts received by the employee under unemployment compensation law. An individual receiving the guarantee would be required to register for and accept other employment and any amounts received in such employment would be deducted from the guarantee.

The Union also proposed severance provisions which would recognize the individual's equity in his job by providing him with a severance allowance amounting to a number of weeks pay equal to his number of years of continuous

service. The severance allowance provision would not duplicate the one-year guarantee against unemployment since any amounts paid out under the guarantee provision would be deductible from the severance allowance.

The Union's proposal was an extension of the principle which has been recognized throughout the United States in unemployment compensation laws. These laws recognize the responsibility for providing protection against unemployment, and they tax the employer to provide this protection, in most cases varying the rate of tax for each employer in accordance with his employment experience. The benefits provided under unemployment compensation laws, however, were inadequate to begin with and have since become pitiable because of the increase in the price level since their establishment. The Union's proposal would adopt the principle established by those laws and apply it as a collective bargaining matter between the Company and the Union. It would have no inflationary effect whatsoever. Its effect would be felt only at the time when, from the viewpoint of the national economy, it would be most desirable to provide increased purchasing power.

In addition to this overall protection for employees whose employment is interrupted or terminated, the Union proposed that specialized protection be given to employees whose employment is affected by technological change or by abandonment of facilities by the Company. In many cases, the elimination of a job or of an operation does not terminate the employment of the individual involved, since he can bump into a lower job and displace another employee. This process can continue through many steps. The provisions for unemployment guarantees and severance allowance would take care of the man at the end of the chain who loses his job. But provision is also required to take care of the man or men who are demoted by virtue of the bumping process, or who are offered alternative employment by the Company at lower rates of pay.

The Union proposed, with respect to such cases, that the affected employees be given a demotion allowance equal to the difference between their earnings prior to the demotion and their earnings subsequent to it. This demotion allowance would be payable for a period of one year.

The effect of this provision would be to provide a cushion for the employees in cases of technological change. One of the social costs of technological change is the unemployment and reduction of earnings created by that change. This social cost should be reflected in an economic cost to the employer. The Union's proposal does not make it impossible for the Company to effect economies by technological change. It simply delays these economies for a maximum period of one year in order to give some protection to the employees whose livelihood is reduced by the changes which save money for the Company.

#### *Company proposal and Comment*

The Company offered no proposal with respect to the subject matter of this section. In his statement of December 21, however, Mr. Benjamin Fairless, the President of the United States Steel Corporation, characterized our guaranteed wage proposals as a non-economic demand. Despite this declaration, however, he indicated his opposition to those demands because they "would mean turning over to labour the control of many essential managerial prerogatives."

If Mr. Fairless meant by this statement that it is a prerogative of the Corporation's management to provide protection for its employees against unemployment and demotion, then we must conclude that the Corporation has singularly neglected its prerogatives. If Mr. Fairless meant that management has a prerogative to create unemployment and to ignore the effect of this unemployment upon its employees, we can only conclude that the United States Steel Corporation has learned nothing from our pension controversy of 1949 and clings to its outmoded concepts of social irresponsibility.

## ANNEX IX

### ANNUAL GUARANTEE AND SEVERANCE PROVISIONS

(AS PROPOSED BY THE UNITED STEELWORKERS OF AMERICA  
IN THE 1953 NEGOTIATIONS WITH THE ALUMINIUM  
COMPANY OF AMERICA)

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#### Article XVII — ANNUAL GUARANTEE AND SEVERANCE PROVISIONS

##### *Section 70 — Policy to give regular employment*

The Company will make every effort to provide regular, continuous and substantially full time employment for all employees.

##### *Section 71 — Annual guarantee — Unemployment*

A. — The Company guarantees to each employee who has accumulated three or more years of service with the Company a minimum weekly payment thirty (30) times the employee's standard hourly wage scale rate for each spell of involuntary unemployment up to a maximum of 52 weeks from the beginning of his unemployment.

B. — If an employee is laid off or terminated by the Company, the Company shall pay the full amount of the guarantee to such employee for each week as to which he: (1) is unemployed, providing that self-employment shall not be considered as employment, and (2) is not disqualified under the provisions of Subsection C of this Section.

C. — If an employee, other than an employee voluntarily employed part time, is employed part or full time, either by the Company or by another employer, but his earnings for any week or weeks fall below his minimum guarantee, the Company shall pay to the employee each week whatever sum or sums are required to make up such difference.

D. — Unemployment compensation payments actually received by an employee in any week, or which would have been received but for unjustified failure of the employee to make application therefor, may be deducted by the Company from the guarantee otherwise payable for that week.

E. — The guarantee herein provided shall expire at the end of any consecutive fifty-two week period in which an employee who has been laid off or terminated performs no work for the Company. In the event that such an employee shall receive wages from the Company for not less than 480 hours after the expiration of the guarantee, it shall thereupon be renewed in full. If, in the 52 weeks preceding a second or subsequent period of unemployment,

such an employee shall have been paid wages by the Company for less than 480 hours but not less than 240 hours, a guarantee shall have a maximum duration of 26 weeks. The guarantee shall not be payable in any week in which an employee receives a vacation or pay in lieu of vocation from the Company.

*Section 72 — Contributions to unemployment benefit trust fund*

The Company shall pay into a trust fund, for each hour worked by an employee in the 12-month period beginning August 1, 1953, ten (10) cents.

This amount shall be reduced by an offset value of State Unemployment Benefits in any state in which it shall be established to the satisfaction of the Company and the Union that the payment of benefits from the trust fund to an employee will not affect the right of such employee to any state unemployment benefits which might have become payable to him under the law of such state.

The Company's liability for the payment of unemployment guarantee as herein provided shall be limited to payment of the specified contribution to the trust fund.

*Section 73 — Disqualification for benefit payments*

1. A qualified or part-qualified employee shall be disqualified for benefits hereunder:

a) For each day with respect to which he shall fail to register for work with a public employment office; provided that no employee shall be required to make an independent search for work in addition to such registration; and

b) For each day on which he shall not be able to work or shall not be available for suitable work; provided that no employee shall be disqualified for any day on which his inability to work or unavailability for work shall be due to an illness or disability beginning after the first day of a period of unemployment unless and until he shall have been offered suitable employment; and

c) For each day with respect to which he shall be entitled to receive sick benefits under a sick benefit plan maintained pursuant to an agreement between the Company and the Union; and

d) For each day in a calendar month with respect to which he shall be entitled to receive a pension under a pension plan maintained pursuant to an agreement between the Company and the Union; and

e) For the day on which he shall have left suitable work voluntarily and without good cause, or shall have been discharged or suspended from suitable work for misconduct connected with his work and for 21 days immediately following such day; and

f) For any day on which he shall have failed, without good cause, either to apply for available suitable work to which he shall have been referred by the public employment office, or to accept suitable work offered him, and for 21 days immediately following any such day; and

g) For any day on which his unemployment shall have been due to a stoppage of work then existing because of a strike at the factory, establishment, or other premises at which he shall have been last employed, and for purposes of this paragraph separate premises owned by the same employer shall not be deemed to be included within such factory, establishment, or other premises; provided, that this paragraph shall not apply if:

(i) the employee shall not have been participating in or directly interested in the strike which shall have caused the stoppage of work; or

(ii) such unemployment shall have resulted from a refusal to accept new work vacant due to the strike; or

(iii) such stoppage of work shall have been due to a strike resulting from an unfair labour practice committed by the employer; or

(iv) such unemployment shall have existed for more than 7 weeks.

h) For any day on which his unemployment is the consequence of an order of an agency of the Government of the United States requiring that aluminum, which would otherwise be fabricated in a plant or property at which "employees" are employed, be set aside for a defense stockpile.

2. Work under any of the following conditions shall not be deemed suitable for any individual:

a) If the position shall be vacant due to a strike, lock-out, or other labour dispute;

b) If, as a condition or consequence of being employed, the individual shall be required to join a company union or to resign from or refrain from joining any bona fide labour organization;

c) If the wage rate, weekly earnings, hours, or other conditions of work shall be less favorable to the individual than those prevailing for similar work in the locality, or the wage rate shall be less than the union wage rate, if any, for similar work in the locality;

d) If the position shall be one which does not utilize the individual's highest skill unless he shall have had a reasonable opportunity to obtain work utilizing such skill.

3. In determining whether any work is suitable for an employee and in determining the existence of good cause for leaving or refusing any work there shall also be considered:

a) The degree of risk to the employee's health, safety, and morals or his family's welfare:

b) His physical fitness for the work;

c) His prior training, experience and prior earnings;

d) The distance of the offered work from his residence and his prospect for obtaining local work; and

e) such other factors as would influence a reasonable person in the employee's circumstances.

*Section 74 — Annual Guarantee — Technological demotion*

A. — The Company guarantees to each employee who is demoted due, directly or indirectly, to technological change or abandonment of facilities that he will receive in each week an amount at least equal to his average earnings prior to the demotion, computed as provided for the calculation of vacation allowance as set forth in Article VIII (Vacations).

B. — Technological change, as used herein, means the introduction of new or changed equipment, or new or changed methods of production or maintenance.

C. — Abandonment of facilities includes the permanent closing or discontinuance of a plant, a department, or smaller unit of operation and also the reduction in size of any such units of operation due to the discontinuance or abandonment of the manufacture of a product, or of a process, in favour of some other process or product in the same or any other plant of the Company.

D. — Demotion as used herein means the transfer of an employee to a job which yields lower earnings or a change in his job sufficient to reduce its classification.

E. — The difference, if any, between the actual earnings received by an employee who has been demoted and his earnings prior to his demotion shall be paid, on a weekly basis, for a period of fifty-two weeks subsequent to his demotion.

F. — An employee receiving the guarantee payments provided for in this Section who is laid off or terminated while receiving such guarantee payments shall not, for that reason, be ineligible for the unemployment guarantee provided for in Section.

*Section 75 — Severance pay*

A. — Any employee who is laid off or whose employment is terminated or who quits or is discharged, and who has not been called back to work by the Company at the end of fifty-two (52) weeks, shall receive a severance allowance equal to one week's pay for each year of continuous service. This allowance shall be paid in a lump sum at the end of the fifty-second week. A week's pay shall for this purpose be determined in accordance with the provisions for calculation of vacation allowance as set forth in Article VIII (Vacations). Any amounts received by an employee from the Company pursuant to the unemployment guarantee provided in Section of this Article within one year preceding the payment of the severance allowance shall be deducted from the severance allowance. There shall be no duplication of severance allowance for the same period of continuous service. Therefore, if any employee shall become entitled to successive severance allowances, the amounts of any severance allowances theretofore paid to him shall be deducted from the severance allowances subsequently payable, and he shall be paid the balance.

Receipt of severance pay under this Subsection shall not affect the continuous service of any employee who would otherwise retain or accumulate such service under the provisions of this Agreement.



B. — If an individual is or shall become entitled to any discharge, liquidation, severance, or dismissal allowance or payment of similar kind by reason of any law of the United States of America or any of the states, districts, or territories thereof subject to its jurisdiction, the total amount of such payments shall be deducted from the severance allowance to which the individual may be entitled under this Section, or any payment made by the Company under this Section may be offset against such payment. Statutory unemployment compensation payments shall be excluded from the non-duplication provisions of this paragraph.

*Section 76 — Distribution of available work*

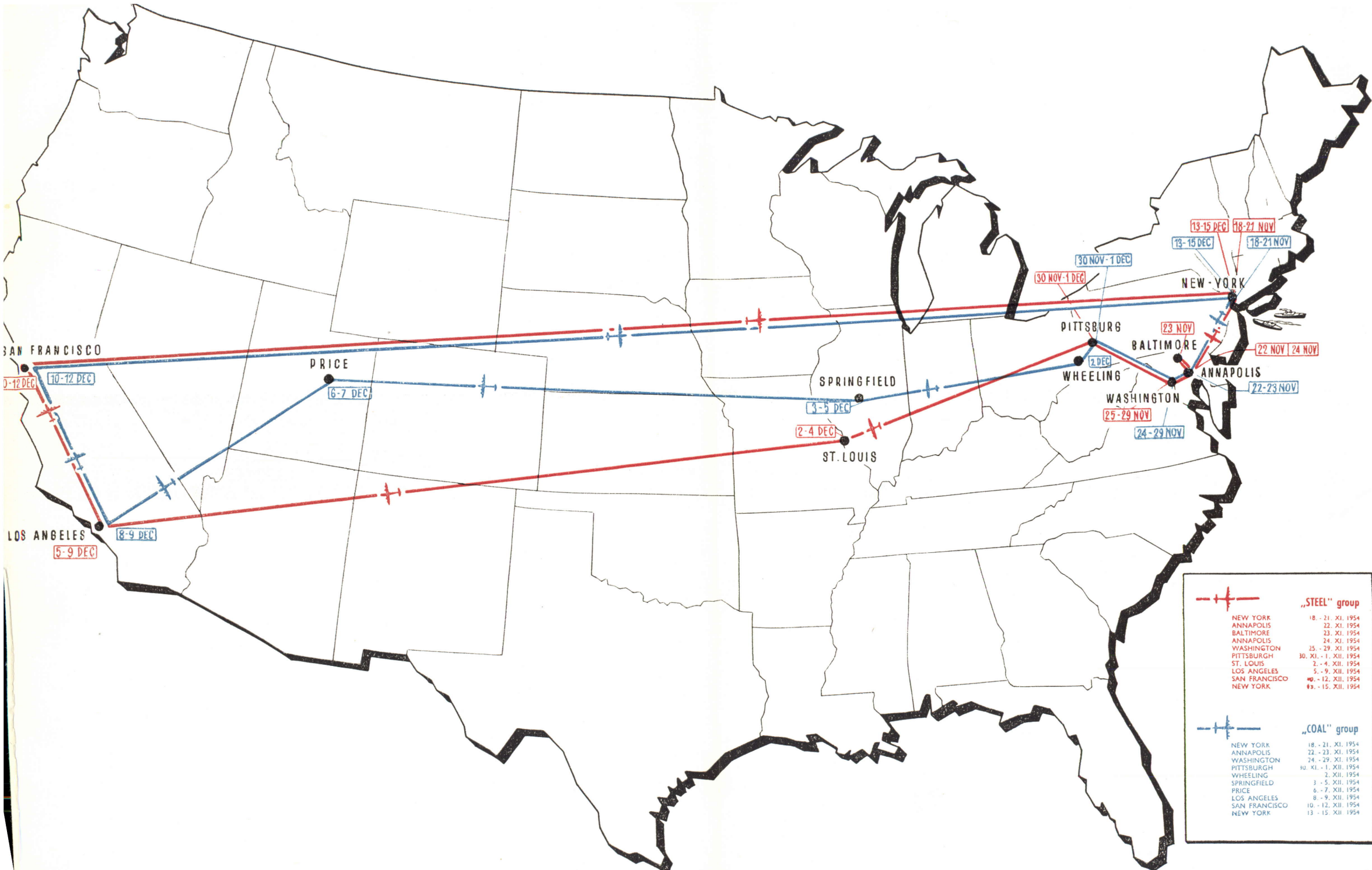
Available work in any department, production center, or other proper unit shall be distributed as equally as practicable among all employees of such units, except that regular employees who have company seniority in excess of one (1) year shall not for any continued periods have their work-week reduced until employees with company seniority of one (1) year or less have been laid off from such unit. If such distribution of available work would probably result in such regular employees working less than four (4) days per week, averaged over a reasonable period of time, a reduction in forces shall be made in order that the remaining employees will have a reasonable expectancy of averaging at least four (4) days of work per week.

It is understood that no general restoration of forces in any such unit will be made unless there is reasonable expectancy that there will be five (5) days of work per week for all employees then working in such unit.

This section may be modified for any such unit by agreement between the local plant management and the local union.

*Section 77 — Settlement of disputes*

Disputes arising under this Article shall be subject to the grievance and arbitration provisions of this Agreement, provided, however, that any grievance arising hereunder may be initiated in the Second Step of the Grievance Procedure.



Symbol	Group Name	Route	Dates
—+—	„STEEL” group	NEW YORK	18. - 21. XI. 1954
		ANNAPOLIS	22. XI. 1954
		BALTIMORE	23. XI. 1954
		ANNAPOLIS	24. XI. 1954
		WASHINGTON	25. - 29. XI. 1954
		PITTSBURGH	30. XI. - 1. XII. 1954
		ST. LOUIS	2. - 4. XII. 1954
		LOS ANGELES	5. - 9. XII. 1954
		SAN FRANCISCO	10. - 12. XII. 1954
		NEW YORK	13. - 15. XII. 1954
—+—	„COAL” group	NEW YORK	18. - 21. XI. 1954
		ANNAPOLIS	22. - 23. XI. 1954
		WASHINGTON	24. - 29. XI. 1954
		PITTSBURGH	30. XI. - 1. XII. 1954
		WHEELING	2. XII. 1954
		SPRINGFIELD	3. - 5. XII. 1954
		PRICE	6. - 7. XII. 1954
		LOS ANGELES	8. - 9. XII. 1954
		SAN FRANCISCO	10. - 12. XII. 1954
		NEW YORK	13. - 15. XII. 1954

