

GUARANTEED ANNUAL WAGES

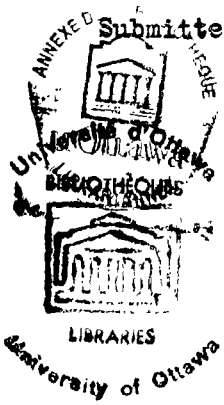
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RELATED PLANS

DISCUSSION OF VARIOUS PLANS

WHICH HAVE BEEN TRIED

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CHAPTER I

INTRODUCTION

CHAPTER I - INTRODUCTION

Behind the flurry of agitation for any far-reaching change in the status-quo are many and varied reasons and motives. To properly evaluate the merit or lack of merit inherent in such a change it is necessary, first of all, to penetrate the multi-colored, and sometimes dazzling, curtain that separates bias from fact and take a look at the fundamental underlying principles at stake.

So it is with the current agitation for a "Guaranteed Annual Wage" in industry. On the one hand we find certain Industrial and Trade Unions keeping the economic phase of the issue alive with a continuous chain of statements to the press.<sup>1</sup> On the other hand we find industry (and its representatives) quite divergent within itself as to what the final result would be should such plans become general over the whole economy.<sup>2</sup>

By no stretch of imagination is this field of controversy confined to Unionism and Industry. In view of the manifest Social and Moral aspects of the proposed reform, it is not only advisable but absolutely necessary that the Church make

<sup>1</sup> "Union Chiefs Appeal for Job Security" - Detroit Free Press, September 3, 1945  
 "Thomas Appeals for Annual Wage" - Detroit News, September 4, 1945  
 "Murray Talks Annual Wage" - Detroit News, May 16, 1946  
 "C.I.O. to Seek Steel Annual Wage by '47" - Chicago Journal of Commerce, May 17, 1946

<sup>2</sup> "Annual Wage Plan Unsound" - Detroit Times, September 9, 1945  
 "Guaranteed Annual Pay Declared Impractical" - Wall Street Journal, October 14, 1946  
 "Pay for Idleness" - Chicago Journal of Commerce, May 20, 1946  
 "Back Annual Pay" Mosher (National Association of Manufacturers) Bids Industry" - Chicago Journal of Commerce, May 25, 1946

clear its position on the subject, and this stand is, of course, a matter of record.<sup>1</sup> Government agencies also are concerned in view of the political aspects of the proposed reform and have caused studies to be made of the problem in hopes of contributing to the final solution.<sup>2</sup> Therefore, laying aside the curtain and viewing the subject in the cold light of objectivity it is evident that, while the immediate underlying principle involved is unquestionably economic in character, concerned here are also social, political and moral aspects which are equally important.

To gain an insight into what a Guaranteed Wage Plan may encompass from all these standpoints, a study of some of the principle plans which have been put into effect in the past is indicated. A statement of each specific plan coupled with comments relating to both the desirable and undesirable aspects of the plan in the light of its economic, social, political and moral effects is indispensable to a sound evaluation of the potential benefits inherent in the basic idea of "Guaranteed Annual Wages".

<sup>1</sup> "For the Annual Wage" - Michigan Catholic, February 13, 1947  
"Reconstructing the Social Order", pp. 27 and 27 - New authorized translation -  
Quoting Pope Pius XI  
"The Guaranteed Annual Wage" - America, October 5, 1946

<sup>2</sup> Office of War Mobilization and Reconstruction Preliminary Report - April 9, 1946

CHAPTER II

VARIOUS PLANS WHICH HAVE BEEN TRIED

## CHAPTER II - VARIOUS PLANS WHICH HAVE BEEN TRIED

In this Chapter three guaranteed wage plans which have been in effect for a considerable period of time and are currently considered successful will be treated in some detail. A different industry is represented by each plan so that the ensuing comments may represent, to the greatest extent possible, a varied view of industry in general. The industries to be treated involve (1) Food (Meat Packing); (2) Clothing (Shoes); and (3) Living Conditions (Soap), and have been selected because the fundamental material needs of man revolve around food, clothing and shelter. The first of these plans will be set up as more or less of a criterion for comparison with the remaining plans.

In addition to the treatment of these three plans, a general discussion of plans which have been put into effect and later discontinued will also be included. This discussion will not emphasize the identity of the plans involved since the reasons for discontinuance can be stated more clearly on a group or general basis.

PLAN NO. I - FOODStatement of the Plan

The best known and probably the most publicized of all the Annual Wage Plans is the straight-time plan of an Austin, Minnesota meat-packing business<sup>1</sup>. Because the details of this plan are frequently quoted and sometimes held up as criteria in speculating about the Annual Wage potential of other industries, the entire plan is being reproduced herewith as a basis for the discussion which is to follow.

GEO. A. HORMEL & CO.  
STRAIGHT TIME ARRANGEMENT

- "(1) Each employee regularly assigned to a straight time department will receive the weekly rate of pay provided for him in the latest approval of the straight time plan for his department. This rate of pay will be subject to any increases or decreases affecting the plant as a whole. Each employee will receive his regular pay check every week except when absent beyond regularly provided sick leave or vacation.
- (2) Each employee on the straight time basis will receive one week sick leave or vacation. Each one who has completed 5 years of continuous service with the company will receive an additional such week. Each female employee who has completed 15 years and each male employee who has completed 20 years, will receive still an additional week.

Sick leave will be taken only at times of bona fide sickness. Vacations will be taken at such times as will not interfere with the work of the department.

- (3) A man absent shall have the right to choose whether he shall be docked

<sup>1</sup>The Geo. A. Hormel & Co.

or whether his absence will apply on the sick leave to which he is entitled. Unless otherwise specified in Schedule C attached, one day's absence will count as 1/6 of a week; a half day will count as 1/12 of a week, and missing gang time any one day will count as a full day, no matter how short gang time was that day.

- (4) The straight time arrangement with respect to any department may be cancelled at any time that department fails to abide by all working agreements, or at any time the discontinuance of the straight time arrangement in some other department directly affecting it requires the cancellation.

If other hour limitations become established by law, this plan will be changed to conform to such law, or if the company considers the straight time plan unworkable because of the passage of any such law, the whole straight time arrangement, or any part of it, may be cancelled as of the effective date of any such law.

Any time any department becomes dissatisfied with the straight time arrangement and wishes to cancel it, such cancellation may be effected in the usual manner of handling grievances.

Otherwise straight time arrangements may be discontinued only by thirty days' advance notice of desire to make such discontinuance at the end of the company's fiscal year.

- (5) Whenever a straight time plan is abandoned for any department, the employees in that department will be entitled to receive, on the job on which they may be assigned, the hourly rates (subject to any general

increases or decreases since made) which they did receive when last working on an hourly basis. Employees going from straight time to an hourly basis on a job which they have not previously held on an hourly basis will receive the scale rate for that job.

- (6) If there is any increase or decrease in the amount of work required to produce the budgeted volume, a corresponding adjustment will be made in the department volume budget or in the number of people in the department. The choice as to which adjustment shall be made will be left to a decision by a majority in the department in case the change is an increase.
- (7) In case the required amount of work is reduced sufficiently to permit the removal of one (or more) employees, such employees will be transferred from the department on a seniority basis. When the manufacture of some item is discontinued, or when, because of a change in method of operation, certain job or jobs are discontinued, it is understood that it will be necessary to reduce the straight time gang correspondingly. Such reductions will be made on the basis of seniority.
- (8) Except as provided in paragraphs (6) or (7) there will be no reduction in the number of employees in any straight time department within a period of one year from the latest approval of the straight time arrangement for that department. Any employee who is laid off from a straight time department may find employment elsewhere on the basis of his regular seniority rights, or, on application, may be transferred, at his regular rate of pay, to the Extra Gang which will be maintained to handle extra work, temporary replacements, and other business requirements which cannot be handled by the regular straight time departments. During the period of any one fiscal year, this extra gang will not be reduced below the number who have been transferred to it from regular straight time employment

thus maintaining employment with full pay for at least one year for the number of individuals originally assigned to the straight time schedule for any year.

Any employe laid off from the Extra Gang may find other employment on the basis of his seniority rights.

- (9) For each department for which it is possible to establish some measure of the work to be done, the budgeted annual volume will be stated. (See Schedule B<sup>1</sup> attached.)

In any year in which the department produces less than the budgeted annual volume, the members of the department, individually and collectively, become indebted to the company for producing that much work at the first opportunity.

At the end of any year in which the cumulated production of the department is in excess of the cumulated budgeted annual volume, bonuses will be paid the members of the department. These bonuses will be calculated on the basis of what the cost of the extra production would be by adding more employees to the department, and the specific method of calculating it with respect to the department will be found in Schedule B<sup>1</sup> attached.

At the end of any year in which the cumulated production of the department is in excess of the cumulated budgeted annual volume, and during which regular members of the department have been absent without pay and without being replaced, the cost of such replacements will be put in a

<sup>1</sup>Schedule B is not reproduced in this study. Suffices to note that a schedule is used for the purpose indicated.

"Kitty" to be distributed among the members of the department in whatever manner the majority of the department may agree.

- (10) For each department there will be maintained what will be known as a "kitty". Schedule B<sup>1</sup> attached will show the department work budget, if any. Unless otherwise provided in Schedule B<sup>1</sup> for those departments having work budgets, employees docked for absence, and employees absent on vacations granted on the basis of 5, 15 or 20 years' service, will be replaced.

Replacements will be made in either men or money. That is to say, if the department does not require a replacement man, the money for the replacement will go to the department Kitty.

The management will have the right to insist on replacements if the tonnage produced falls below the daily or weekly volume which the company's business requires, or if the average actual hours worked is or threatens to be in excess of 40 hours per week.

- (11) The department committee will direct whether replacement money will be paid to individuals in the gang or whether it will remain in the department Kitty.

The money in the department Kitty will be distributed among the members of the department at the end of each fiscal year, and in whatever manner the majority of the department may agree.

- (12) Unless specified in Schedule D<sup>1</sup> attached, the scope of the work of the department will be as has been the custom in the past.

<sup>1</sup>Schedules B and D are not reproduced in this study. Suffices to note that schedules are used for the purposes indicated.

Division of work, equalizing of hours, and choice of assignment to jobs among employees in the department will be determined by the department committee, so long as the quality of the work does not suffer.

GEO. A. HORMEL & CO.

Date ----- OK'd by -----

We, the undersigned, representing the department, have read and understand this statement and the schedules attached hereto, and attest that the arrangement is understood and accepted by this department.

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Two points are immediately evident following a persual of this plan.

- (1) It goes farther in specifying a complete guarantee for all employes than practically any other plan extant.
- (2) The meat-packing business - subject as it is to wide seasonal fluctuations in employment because of the irregularity of livestock deliveries - would appear to be high among the least promising industries for the establishment of an Annual Wage Plan. This industry, to a great extent, is dependent upon nature for its raw material, in the same way that other industries are dependent upon agriculture.

Historical Resume of the Plan

Considerable history<sup>1</sup> underlies the currently developed plan, and this history extends over a period of years. In the beginning certain employes were given a

<sup>1</sup>The Hormel Annual Wage, Wage Incentive and Joint Earnings Plans<sup>o</sup> - published by the company

weekly wage instead of an hourly wage and were considered permanent employees. It was the intent, at this stage, to gradually bring more and more employees under the plan until finally all employees would be on what was called a straight-time basis.

Under this arrangement, those employees who were on a straight-time basis were free to leave the plant after their work was done; while those employees who were still on an hourly-rate basis felt that they were being paced by the straight-time employees. This situation gave rise to complaints of "speed-up" and, in recognition of the inequalities involved, the company decided to transfer an entire department to a straight-time basis. This action would place all employees in a particular group on a common basis.

In order to make such a transfer, it was necessary for the company to set equitable standards for the manpower content of the department. At the time there were twenty-six employees in the department involved, but a calculation, involving the "total man hours worked during the previous year" divided by the "number of hours on which a week's wages were to be based", resulted in a standard for the department of nineteen men. When the plan was placed before the nineteen men selected for the experiment, they rejected the plan because it excluded the other seven. Later, however, the number of men in the department was reduced to fourteen during a seasonal lay-off. At this time the company again submitted the plan and it was accepted.

During the first year of operation under this plan, operating costs of the department showed a reduction of approximately 26%. In the second year of operation the operating costs of the department had dropped a further 12% or 38% under the

departmental costs when it was operated on an hourly-rate basis.

These facts were considered of sufficient importance by the company to warrant the extension of the plan to other departments. During the two-year experiment, the employees involved had received regular wages. They also had the added incentive of being free to go home when their work for the day was finished. These benefits made for better morale and teamwork, with the result that production per man increased considerably.

Although no complaints regarding the increased efficiency were registered with management during the two-year period the plan had now been in operation, nevertheless other employees in other departments had taken note of this point and decided that some portion of the savings so experienced should accrue to the employees. So it was, that when the second department was selected for inclusion in the plan the employees agreed to accept it; with the stipulation, however, that an equitable base period be established as a production standard and that when the annual volume varied more than 10% from this base, the variation would be reflected either in the number of employees or in the rate of pay.

Again, in principle, the company accepted this representation from the employees and agreed to establish a bonus system. This system provided that employees working under the plan would receive year-end bonuses which would compensate for any increase in volume over the base work budgets.

To put such a plan into effect involved, among other things a determination of the amount of bonus to be distributed. In making this determination, it appeared that three different types of work existed, and that each should be covered by a

different bonus calculation. The different types of work and the basis for calculation are as follows:

(1) Changeovers, Cleanups and Interruptions

This classification of work bears no direct relationship to increases or decreases in volume of production. Therefore, the bonus for this work was to be paid for at so much per unit of departmental production. As volume increased the bonus per unit decreased on a sliding scale.

(2) Other work directly related to volume

This classification of work is of the type which would lend itself readily to a "piecework" basis of compensation. Therefore, the bonus was set at a fixed amount per unit of departmental production with no variation in price because of volume.

(3) Other work directly related to volume, but which results in storage, re-

handling, and burdening of plant facilities when volume increases. To force the issue in such cases, the bonus was set at an increasing-scale per unit of production.

In putting the Bonus Plan into effect, the above schedule was made effective in all departments where a reasonable evaluation of work performed could be accomplished.

While it would seem, at this point, that a plan quite acceptable to both management and employees had been worked out, nevertheless there still existed an area of employee dissatisfaction. Under the plan all departments worked some short and some long weeks during the year, and the employees were willing to balance out these hours on a straight-time basis. However, those employees who realized that they were earning a bonus wished to receive the bonus as it was earned rather than having it accumulate for the period of a year.

Again, the company recognized the feasibility of the employees' point of view and met this objection to the overall plan by instituting the "Work Schedule and Gains Plan", and the objective of this plan was to pay the bonus as it was earned. The evolution of this phase of the plan forms an important milestone in the development of the Annual Wage Plan in its final form because of its relationship to the economics of profits.

First-off, the total unit production was scheduled for the period of a year. By dividing the total annual unit production by 2,000 hours (50 weeks at 40 hours per week), an hourly unit production work schedule was established. The employees, then, receive their basic weekly wage plus their "gains" over the hourly unit production scheduled. To put it another way, the employees are reimbursed for the number of hours their production hours exceeds their actual clock-card hours. As an example, if the employees in a given department produced a unit production equivalent to 40 hours, but actually worked only 30 hours to do it, they would receive their regular pay plus compensation for 10 extra hours. Likewise, employees who worked 50 hours and produced only 50 units of production would receive only their regular weekly pay.

It will be noted that the hourly unit production, as computed, contemplated a 50 week operation per year or 2,000 hours. Overtime, as such, is not provided for since excess hours are to be offset against short hours as a fundamental stipulation of the plan. However, the Fair Labor Standards Act prohibits the employment of workers for more than 2,080 hours per year without paying overtime. Under the plan, as it now stands, the company might be faced with the necessity of paying for hours not worked if the number of employees in a department were increased sufficiently to eliminate the possibility of violating the 2,080 hour

maximum. After all, it is not possible to schedule production exactly for a year in advance.

To cover this situation, the basic rate of pay is set at something less than 40 hours and varies somewhat between departments. Some departments are set as low as 36 hours when unit production is difficult to forecast, but in view of the gains made throughout the entire plan, these employes rarely earn less than a full 40 hours pay. On the other hand, if employes on a 36 hour base actually work more than this weekly average over the year, they are paid at the end of the year for the total excess hours actually worked.

The "Work Schedule and Gains" Plan has operated with such success that it has been put into effect over the entire plant, with minor exceptions. In operation it has presented many problems. For example, the determination of work schedules, on a unit production basis, in the meat-packing business was not at all a simple matter. The ideal situation would be the development of some common denominator which could be used as a standard over the entire business. The company has attempted this rather successfully on the basis of certain established industry practices such as - two hogs equal one bullock - four sheep equal one bullock. Or, so many cattle equal one hour; so many hogs, etc. To take care of cases where the work to be performed is partially regular, and partially irregular, the "Work Schedule and Gains" Plan is applied to the regular portion of the work and the remaining portion of the employes time is compensated for at an hourly rate of pay.

Although the overall plan was technically complete when this point was reached, it was recognized that a field of parallel action still existed which would

greatly assist in making the plan work. Granted, the meat-packing industry was subject to wide seasonal fluctuations in employment yet, the plan would be bound to function more satisfactorily if the peaks and valleys of these wide fluctuations could be smoothed out to the greatest extent possible, even though complete success could hardly be expected. To cope with this problem three fundamental methods were set-up, each of which is deserving of some comment:

Method No. 1 - The placement of new employes in an "Extra Gang"

These employes were related to particular departments where they acted as substitutes when regular employes were absent for any reason. In this way the new employes were able to acquire the skill necessary to do certain work in an efficient manner. During the busy season these employes were assigned to that work with which they had already become quite familiar.

It is not mandatory that all absentees be replaced by an extra-gang employe. Those operations which require a man on each job in order to function properly were necessarily filled in from the extra gang. But if a replacement was not required - and this means that the remaining employes perform more work - the department employes are credited with the wages not expended. Amounts so accumulated are held in a "kitty" and distributed at the end of the year.

This method resulted in a very satisfactory way to introduce new employes into the organization.

Method No. 2 - The development of additional skills for regular employes

The object of this method was to develop other skills for an entire gang

of employes. In this way such a gang could perform its regular work for a part of the day; then move en masse to another department and acquire or exercise other skills.

This method was not very successful because the employes did not like the idea of being transferred periodically to unrelated work.

Method No. 3 - The equipping of departments to perform unrelated work

This method had the effect of bringing the work to the men instead of, as under Method No. 2, bringing the men to the work. Under this method departments were combined which had complimentary volume fluctuations. It was found that the cost of rearrangement and layout of the equipment of both departments together was less than the cost of providing peak-load equipment for each department separately.

Due, at least in part, to the "human nature" element, this method worked out most successfully.

Currently, the Annual Wage Plan of the Austin, Minnesota meat-packing company embodies all the points commented upon in the foregoing history. Important at this point, is the fact that the plan was far from workable in its initial conception. Also important, is the apparent reasonableness with which both the employer and the employes worked out necessary modifications in the plan. Most important is the fact that currently the plan is rated as highly successful.

Part of this success may be attributed to the fact that this company, in addition to its Annual Wage Plan, has also established a "Joint Earnings" Plan which allows

employees of one or more years of service to participate in the over-all profit of the company. Certainly such an added consideration would have the effect of mitigating any minor inequities which might exist in the Annual Wage Plan.

#### Comment on the Plan

Interesting, and important, as the development history of this plan may be, it is of significance only as a background against which the final plan was formalized. Certainly a background of mutual respect and understanding between the employer and the workmen is a vital ingredient to constructive accomplishment. The history of the plan at hand definitely indicates the existence of this mutual respect.

But over and above this there are certain social, political, moral and economic considerations which fall outside the pale of mere goodwill since, even with the best of intentions on the part of employer and workman, any plan which fundamentally violates the accepted precepts of any of these sciences could not be considered basically sound.

Therefore, in measuring the over-all value of a particular Annual Wage Plan, tests should be applied which will bring to light the weaknesses, if any, from all these standpoints. If serious weaknesses are found, the plan may be discarded as unsound even if it should have the simulation of immediate success. On the other hand, if no weaknesses are apparent it may be concluded that the plan is sound in its particular application and deserves the objective study of industry at large.

### Social Aspects of the Plan

Willingness, on the part of the individual, to work for a living is a fundamental requisite of a well ordered society. The existence of certain extenuating circumstances which may make it either unnecessary or impossible for the individual to implement this willingness with actual labor, is beside the point. The main thing is that when it is necessary and possible the individual willingly and freely accepts this responsibility. The other alternative is a "free-ride", "something-for-nothing" attitude which is basically anti-social.

In applying this principle to the plan at hand, we find that encouragement and incentive to work permeates the entire plan. In the first place, the employe receives 52 weekly checks each year, and this economic consideration assures him an honorable place in the social order. It is an honorable position because if he has not performed sufficient work to entitle him to all the wages received, he has the obligation to perform that work at the earliest opportunity. On the other hand, he is compensated for any extra work he performs, and the extra wages emanating from this source serves as additional security in the maintenance of his social prestige. Furthermore, the plan provides a rather liberal sick-leave as well as a vacation during which periods he still receives his regular pay, and this feature also adds to the social stature of the employe.

Tangible evidence that these social benefits do exist is the community of well-kept homes and churches which have sprung up in the vicinity of the plant. During the slack season the people are free to spend their leisure time in social activities with the knowledge that they will not suffer economic penalties. Were it not for that assurance, this leisure time might have to be used to find

temporary work to fill the economic gap occasioned by seasonal lay-offs. Furthermore, under the plan, the employes may cancel the current arrangement at any time, but have not done so for obvious reasons.

On the other hand, the social advantages of the plan also react favorably to the company's interest. Having made these benefits possible, the company can insist upon a high type of employe. Not, of course, to the point of interference in the personal life of the employe, but at least to the point of controlling unjustified absenteeism and other abuses which sometimes become prevalent and have a devastating effect on the conduct of a business. The better the employe's social status and responsibility, the better functioning of the business.

Accordingly, the conclusion is justified that the social aspect of this plan, as it applies to this company and to these employes, is basically all to the good. However, when viewed in a broader scope there does exist an area of possible criticism deserving of comment. This plan takes a relatively small group of workmen and gives them certain social benefits which do not accrue to other segments of society either in the specific community or in other communities throughout the country. The question may be asked, "Why should meat-packing employes be given the opportunity for better social conditions when so many other people equally entitled to such benefits do not have a similar opportunity?".

This question could be dismissed with the flat statement that, "Progress is progress and seldom is it spontaneously universal in its application". But a satisfactory answer really must spring from a deeper source. Actually the raising of the social level of any segment of the population has a beneficial effect all along the line, whether or not that effect is readily measurable.

This fact is easily demonstrated by calling to mind the various channels which exist for the exchange of thought between communities. Even before the postal service, the newspaper and the radio made their appearance in this country publicity of worthwhile progress had a way of getting around. So it is with the social aspects of the Annual Wage Plan. People have always strived for improvement of social conditions and, if the Annual Wage Plan proves itself as valuable in this respect in a particular industry, it is only a matter of time and education before it will be adopted elsewhere.

Yet, there are those, principally in Government office, who feel that the social benefits of the Annual Wage concept should be made universal by legislation.<sup>1</sup> Certainly such a course would short-cut the tedious route of public opinion. But social legislation in a free country can easily lead to excesses in control. How much better it is for employer and employe to work out these problems themselves, on a social justice foundation, without the expediency of legislative force.

#### Political Aspects of the Plan

Tied-in intimately with the social phase of the plan at hand is the political consideration. Up to the present time about the only political aspects which have become manifest in the functioning of the plan seem to be ways and means of making the plan work in spite of labor legislation. For example, certain modifications had to be made in the plan because of the provisions of the Fair Labor Standards Act, although this Act was designed to encourage the adoption of Guaranteed Wage Plans. Furthermore, the text of the plan provides for modification or cancellation in the event future legislation makes such action advisable.

<sup>1</sup>Editorial - Michigan Catholic, February 13, 1947

In a broader sense, the main political aspect seems to revolve around the fact that political leaders are naturally very sensitive to the possibilities of making capital out of the "Social Security" type of legislation. However, it is difficult to see how any further legislation or other political activity could be of much benefit either to the employer or the employes working under this particular plan. As a matter of fact, additional social legislation, especially of a national character, might do more harm than good in this particular case because the tendency of this type of legislation is toward the socialist, fascist, communist - whatever the name - ideologies which were given such an impetus by the "New Deal" adherents in and out of government during recent years. Legislation tinged with the philosophy of these "isms" is too often not an end in itself but rather a means to a hidden end quite different from what was bargained for originally.

Left alone politically, the plan does not seem to have within itself any undesirable tendencies toward regimentation or restriction of individual freedom. Therefore, the conclusion is inescapable that in its present form and under present conditions no weakness exists in this plan from a political standpoint.

#### Moral Aspects of the Plan

Much less generally considered in this day and age are the moral phases of any plan of action where people are involved. This is probably due to the currently rather prevalent confusion resulting from the question in peoples' minds as to whether or not a moral code actually exists. This confusion is largely traceable to the recently manifest tendency in politics toward expediency rather than toward morality. Be that as it may, the fact remains that society in this country

developed to its present high state and still functions under a definitely stipulated bill of rights<sup>1</sup> for the individual. This bill of rights takes its authority from the Creator and as such forms a part of the moral code. It would be sadly amiss to attempt an evaluation of employer-employee relationships without due regard to the factor of morality.

Whether or not it was definitely intended, the moral aspects of the plan under consideration speak well for both the employer and the employee. It seems to be a foible of human nature that whenever either employers or employees hold dominant power one over the other, a tendency toward unilateral action asserts itself. Carried to an extreme this tendency results first in inequities and finally in outright exploitation. When this point is reached, the existing relationship is outside the moral code and a struggle for redress is simply a matter of time. Then the pendulum swings the other way because in seeking redress the desire to consolidate gains and make them permanent causes the drive to go far beyond the center point of equality. In the final analysis there is only one force which can control this tendency and that force is a high moral sensitivity on the part of both parties with respect to the ethics of master-servant relations. An examination of the plan under consideration indicates that such a sensitivity does exist in this case and is demonstrable from many standpoints.

It is a commonly accepted precept of morality that the laborer is worthy of his hire. A workman is entitled to fair pay for work performed. This "fair pay" obviously must be in tune with the economics of maintaining and strengthening the basic unit of society, namely the family. If it does not meet these requirements it is open to suspicion of being tinged with immorality, although a review of other mitigating factors, such as imminent employer insolvency, is indicated

<sup>1</sup>Preamble to the Constitution of the United States of America

before final confirmation of the suspicion is justified.

A thorough study of the plan at hand results in an utter lack of evidence that the fair-pay aspects of the employer-employee relationship are not on a firm moral foundation. In the first place, the employe receives fifty-two balanced weekly checks. In addition to this he may receive additional remuneration in the form of bonuses or "kittys". Finally he has the opportunity of participation in the over-all profits. Conversely no evidence exists by which it could be demonstrated that the implimenting of the plan threatens the employer with insolvency. Furthermore, the plan contains a cancellation clause, and this stipulation permits redress in an orderly way by either party if, for some reason, the economics of the agreement become unbalanced.

Considering the case from another angle, it should also be noted that no evidence exists which would indicate that the employes desire to take over any of the management rights of the employer. The moral point here has to do with property rights and the free and unhampered right of the owner to make any reasonable use or disposition of his personal property that does not jeopardize the public good. Interference with an employer or an owner in the exercise of this right, for the purpose of forcing him to abandon all or part of his prerogatives unwillingly - even as the lesser of two evils - is open to suspicion of unmorality in the same way that the unjustifiable payment of below-standard wages is open to suspicion of unmorality on the part of the employer.

Stated before, but of sufficient importance to bear repetition, is the fact that whether purposely intended or not this plan has within itself a great incentive for both the employer and the employes to practice ethical conduct in their

master-servant relationships.

### Economic Aspects of the Plan

The social, political and moral aspects of any agreement involving the exchange of goods or money for other considerations, such as services rendered or work performed, culminate in the field of economics. Especially when such an agreement is a broad one between employer and employes in an industry, or even in a business segment of an industry, the economic effect may branch far out from the immediate local economy. This effect, in its final phase, can be national or even international if the chain of exchange reaches that far. However, for the purpose of establishing the economic value of the Annual Wage Plan under consideration here, nothing is to be gained by tracing this effect throughout its complete cycle. Rather, the scope of the economic effect should be restricted to that area wherein a sound economic evaluation of the plan can be made - and go no further.

In a free economy, prices to the ultimate consumer are based upon competition, supply and demand, and cost. The fourth ingredient is a hope for profit, and is set forth separately because in a free economy the element of risk also contemplates losses. Each of these factors have many ramifications, but the main one with which we are concerned here is "cost" since labor cost to the company represents gross profit to the employe. We can dispense with the factors of competition, supply and demand, the hope for profit, and the elements of cost other than "labor cost", because the control of these phases of the economy are the affair of the employer and we can assume that each received due consideration when the Annual Wage Plan was being developed. What, then, is the economic effect of the plan on labor costs and prices to the ultimate consumer? And is this effect economically beneficial?

The plan under consideration is referred to as the "straight-time" plan. This means that regardless of the number of hours worked by an employe in any one day or week, he receives no excess compensation in the form of premium pay, such as "time and one-half for overtime". Rather, because an employe will work short days and short weeks at certain times during the year and still receive wages for a full basic week's work, he is expected to work long days and long weeks at other times of the year to balance out his time off. This balancing out process is done on a "straight-time" basis.

The "straight-time" feature of this plan is very important, economically, because in other industries and even in other segments of the meat-packing industry where "time and one-half" or, under certain circumstances, "double-time" must be paid for extra hours worked in any one day or week, the company must pay a premium to take care of seasonal fluctuations in demand. Labor costs are accordingly increased in such situations, while no such increase is experienced by the company operating on the "straight time" basis. Therefore, from this standpoint, the Austin, Minnesota meat-packing concern enjoys a competitive advantage from the standpoint of labor cost due to the elimination of premium pay.

The plan also provides an incentive to increased production per man-hour. As stated in the historical background of the plan, operating costs of the first department in which the plan was tried were reduced 26% in the first year of operation and an additional 12% in the second year of operation, for a total of 38% at the end of the second year. These figures represent a sizeable reduction in operating costs for any business, and the resulting competitive advantage is terrific.

In relating these two features of the plan to the price-setting activity of the company, we find that by exercising a minimum control the labor cost factor is pretty well fixed and beyond this has a marked tendency toward reduction. To be sure the company must secure sufficient yearly business to maintain this position. But the fact that labor costs can be forecast with a high degree of accuracy; the fact that these costs will be competitively low; coupled with the fact that in other respects, such as raw material purchasing, the company is in no worse position than its competitors; in themselves practically assure the capture of sufficient business at a more profitable price than can be hoped for by competitors.

Therefore, in setting prices, the company can do many things. When business is good, prices can be set equal to competition and results in good earnings for the company as well as better participation by the employees in profits. When business falls off, prices can be reduced to increase the business and help smooth out cyclical peaks and valleys. The company can still make earnings and the employees still receive at least their standard weekly wages. Or, the company can increase the standard weekly wages and still be in as good a position as competition. In other words, the company maintains a high degree of flexibility in its price setting activity, much of which is due directly to the provisions of the plan itself.

Neither has the employee fared too badly under these conditions. Under any circumstances he stands to receive wages for 52 weeks each year. This stabilization of income permits him to budget his individual expenditures and, besides affording him personally economic peace of mind, tends to stabilize the economy of the entire community with which he is associated. This stabilizing effect in the local community, which stems from the constancy of his purchasing power, branches

out into other economic areas and makes itself felt, even though this effect might be slight when only a small part of the working population comes under the plan.

In view of these points, it is evident that several important economic objectives are attained through the operation of this plan. Economists talk of the importance of maintaining constancy of purchasing power to avoid economic depressions. The plan provides for this desirable condition, at least within the select group working under this plan. Economists talk of the importance of not paying for work which is not performed. The plan takes care of this point also. Economists talk of the necessity of increasing production to avoid inflation. The plan covers this point in a dramatic way. Economists talk about the desirability of maintaining a reasonable price level to the consumer in order to encourage a lively flow of trade. And, finally, this point is also compatible to the over-all structure of the plan.

#### Summarization of Comments

In reviewing the Annual Wage Plan under consideration, we have applied certain tests to determine the soundness of the plan from its social, political, moral and economic aspects. In each of these fields it has been demonstrated that this particular plan, in its particular application, passes the tests with flying colors. At this point, however, the conclusion is not justified that what might be good in this particular instance, would be good for the entire meat-packing industry or, beyond this, for other industries or for the nation or world at large. To determine the advisability of adopting the general theory of Guaranteed Annual Wages on an industry-wide or nation-wide basis involves considerable more than the analysis of one isolated case. In this study we have been concerned with only

one plan, and have accumulated evidence which indicates that this particular plan is quite sound in its particular application.

PLAN NO. II - CLOTHING (SHOES)Statement of the Plan

Completely different from Plan No. I in its fundamental concept is the so-called "Share-the-Production" Plan of a Milwaukee, Wisconsin, shoe manufacturer.<sup>1</sup>

It will be recalled that under Plan No. I, such economic factors as competition, supply and demand, and those elements of cost other than "labor cost", had little or no bearing upon the functioning of the plan. These things were the concern of management only and the employes took no direct or decisive part in establishing any of the policies concerned with prices. To put it another way, the ordinary responsibilities of management were neither assumed nor encroached upon by the employes or their representatives.

Under the "Share-the-Production" Plan, however, the employes' compensation, although technically on an annual basis, is determined by an agreed-upon percentage of annual sales. Furthermore, the employes, through their union representatives, may "veto" product price changes. In addition, two employe representatives are members of the Board of Directors of the company.

Although this fundamental differentiating characteristic is of sufficient importance to merit prime mention, other important differences exist in the details of the "Share-the-Production" Plan. While it is not necessary to quote the plan in detail to develop and assay these differences, a broad outline<sup>2</sup> of the plan and its history<sup>2</sup> is necessary.

<sup>1</sup>Nunn-Bush Company

<sup>2</sup>National Industrial Conference Board Pamphlet No. 76

This plan was developed by the company for the purpose of providing job security, pay regularity, and compensation on an annual basis instead of on an hourly-rate basis. Prior to proceeding with the development of the plan, the company insisted that the employees organize into a union. After this organization was complete, the company and the union entered into a general agreement under which all matters relating to hours of work, discharge, lay-off, and many other commonly considered "management responsibilities" became subject to collective bargaining. Thereafter, the company discussed the annual wage program with the union and, upon its approval, made the plan effective. It was during these discussions the company put forth the idea that, since production wages had maintained a fairly constant percentage relationship to product sales over a period of years, annual wages to the employees should be computed on that same general basis. The figure agreed upon with the union was "20% of the wholesale value of shoes produced", and because of this basic principle the plan became known as the "Share-the-Production" Plan. On the basis of this agreement, 20% of the value of all production is paid into a group fund at four-week intervals.

In order to make an equitable distribution of the group fund to the individual employees a yearly differential rate is set up for each worker. This rate differs between employees or groups of employees depending upon the skill required for the job, volume of production, and quality of work, and represents a conservative estimate of yearly earnings based upon a 40-hour week. In the final analysis, however, this rate really reflects only the relative value of the worker to production since his actual earnings, in general, are determined by the pro-rata amount available in the group fund.

To put the employee's earnings on a weekly basis a drawing account is established.

The amount of the drawing account is developed by dividing the yearly differential rate by 52, and the resulting value becomes the amount of the employe's weekly check subject to certain adjustments which may develop from time to time. For example, if an employe is absent from work, a proportionate amount is deducted from his weekly check. Also, standards of production are set for each operation by agreement with the union, and, if an employe cannot maintain the scheduled production, the union may insist upon a cut in his differential rate. Or, if his inefficiency is considered to be of a temporary nature, the union may fine the employe for the amount short; in which case the amount of the fine reverts to the group fund. Furthermore, as of the end of each four-week period, after actual earnings have been determined, the amount drawn by the employe is compared with the amount earned. If this comparison results in an unfavorable balance in the employe's drawing account, it means that business has fallen off. If no evidence exists that the recession is temporary in character, the company and the union take speedy action to reduce the employe's drawings. Of course, if the recession is determined to be temporary in character, no change is made in the drawings during the interim period. Rather the shortage is made up out of a reserve which is created by not increasing the employe's drawings when the comparison of earnings against drawings is favorable.

The reserve referred to is a personal reserve for each employe, and this reserve is allowed to accumulate until it amounts to 12.5% of the employe's differential rate. Thereafter any excess earnings are distributed currently in cash unless and until the reserve drops below the 12.5% limit. The object of the reserve, of course, is to maintain the constancy of the employe's weekly drawings, although it may also be used for vacations or sick benefits. The entire reserve fund is invested in government bonds by the company.

Another important difference between this plan and Plan No. I is the treatment of overtime. A fundamental principle of Plan No. I is that excess hours worked are to be balanced off against short hours on a straight-time basis. Under Plan No. II, premium pay in the amount of one-half of the regular hourly rate is paid for all hours worked in excess of 40 for any week. This premium pay is not a part of the group fund. Rather it comes out of the marginal profit remaining with the company after provision has been made for the group fund.

Although, for purposes of this survey, the amount of the group fund has been stated as "20% of the wholesale value of production", it should be noted that this percentage is flexible and can be changed by agreement with the union. For example, the company's Edgerton Plant has a rate of 18%. Also on shoes produced for the United States Navy the percentage agreed upon is 19%.

In addition to the above provisions of the plan, a rather extensive classification of employes exists for controlling participation in the plan. This classification system has seven subdivisions as follows:

Class A - These employes are considered the permanent working force and are not subject to lay-off. Membership in this group is based upon seniority and is restricted to 595 employes including those on leave of absence.

Class B - Consists of employes who have two years' seniority. These employes are eligible to participate in the "Share-the-Production" plan but do not participate in the immunity to lay-off granted to Class A employes. Promotions from this group, in accordance with seniority, are made to fill vacancies in the Class A group.

Class C - Consists of employes with less than two years' seniority and who were less than 45 years of age at the date of employment. These employes

become members of Class B and share in the production upon completion of two years of service. These employes are compensated on an hourly-rate basis.

Class D - Consists of employes over 45 years of age at time of employment. After two years of service these employes become eligible to participate in Class DB (see below) but cannot become a part of the Class A group. These employes are compensated on an hourly rate basis.

Class DB - Consists of Class D employes who have completed two years of service. These employes are eligible to participate in the "Share-the-Production" plan.

Class HA - Consists of Class A employes who are physically or mentally incapable of maintaining the minimum work called for in the factory schedules. This group is paid on an hourly-rate basis, but otherwise enjoy the same rights and privileges as Class A employes.

Class HB - Consists of Class B employes on the same basis as Class HA is related to Class A employes.

Those classes of employes shown above as being paid on an hourly rate basis, receive their earnings from the group fund prior to the allocation of the remaining balance to those classes which participate in the "Share-the-Production" plan.

Lay-offs are made according to seniority with Class C and Class D employes being laid off first. Next, Classes B, HB and DB may be laid off when production requirements are not sufficient to provide Class A members with a 40-hour week.

To climax the provisions of this plan the union receives a monthly production

report which shows the wholesale value of the production as well as the amount of the group fund.

In operating this plan the company takes certain steps designed to make the plan work. For example, production is budgeted and any resulting excess over sales is warehoused. If production threatens to run high, the company works overtime and also attempts to increase the production per man per hour. This latter device has not received good cooperation from the employes, and the company is considering the adoption of a plan whereby willing workers could be rewarded for their efforts. The company might even turn down business if a production increase involved employing a large number of Class B employes. Also, production is balanced between the company's two plants to provide a greater spread of the work. In periods of low production normal turnover of employes is not replaced.

#### Comment on the Plan

In summation it should be born in mind that this plan is fundamentally not a Guaranteed Annual Wage Plan. Actually it guarantees only a percentage of annual business to a select group of employes. Therefore, the company's obligation is linked to the prosperity of the business. This point is best demonstrated by the fact that during the year of 1937 the company misjudged the extent of the recession and did not reduce drawings until a sizeable deficit accumulated in the drawing accounts. It took several years to make this deficit up, and this experience resulted in welding the plan more closely to the prosperity of the business in that drawings are now quickly reduced when earnings diminish.

Nevertheless, a reduction in the drawing rate is really not the same as a reduction in earnings. It merely has the effect of patterning the weekly checks of the employes more accurately to the facts of the situation. From the company's

standpoint, this arrangement is much more flexible than the provisions of Plan No. I since labor cost is definitely fixed. If a reduction in the drawings proves later to be unwarranted, the employe will automatically receive the amount by which his weekly drawings were reduced.

Admittedly, the unique features of this plan make an appraisal of the social, political, moral, and economic aspects of the plan quite difficult to treat individually. Actually it would appear that here we are confronted with a business partnership wherein no master-servant relationships are directly concerned. The union assumes practically as many - or possibly even more - of the business responsibilities as does management, and who is to say that the individuals involved are not within their rights to agree to such an arrangement and place their own valuation on the merits of the plan.

But it does not seem feasible just to look at the matter as existing wholly between the union representatives and the management. It would appear to the casual observer that some speculation is certainly warranted as to the benefits or perils to the individual employe working under this type of arrangement. However, in view of the mutuality of interest between union and management inherent in the agreement, any speculation about the plan is bound to eliminate the individual employes or managers as such and carry over into the field of comparing one integrated business with some other business or even all businesses. We cannot get away from the fact that the employes and the employer have willingly taken their respective places in the same boat. In fact, it was at the instigation of the employer that the boat was designed to hold both cargoes before the voyage was started. From this point on they rise and fall together.

This type of arrangement, strictly speaking, cannot be considered as coming under

the category of Guaranteed Annual Wage Plans. As pointed out before, it is more nearly described as a Guaranteed Percentage of Profit Plan, under which the fortunes of the employees stand to rise and fall with the economics of the business. Therefore, the social aspects of the employees' position are the same as the social aspects of any business man's position. And the same is true of the political, moral, and economic aspects of the employees' position.

However, we are not concerned, in this survey, with the social, political, moral, and economic soundness of the position of business men as such. We are concerned with these principles only as they apply to plans wherein the owners of an industry and their representatives, i.e. the management, have set-up a plan whereby employees are guaranteed an annual wage without the contingency that the employees also have to take over certain risks of the business. Rather the employer maintains all his business responsibilities and gives due consideration to each of them in formulating a plan as is the case in Plan No. 1.

Therefore, we can dispense with further consideration of Plan No. II by the simple expedient of pointing out that while this plan is generally referred to as a Guaranteed Wage Plan, this conception is inaccurate and improper. Actually it should be considered for what it is - a union of labor and management in a business venture.

PLAN NO. III - LIVING CONDITIONS (SOAP)

Statement of the Plan

Differing again from both Plans No. I and II, previously reviewed, is the plan of soap manufacturer<sup>1</sup> operating plants in Canada as well as in the United States of America.

It will be recalled that under Plan No. II, we appeared to go far-afield of our subject in that we eventually found ourselves dealing with an integrated business which had determined to split the profits between the various partners on a somewhat arbitrary basis. This plan was dealt with, in this survey, because, through nobody's fault, the illusion seemed to exist that it constitutes a Guaranteed Annual Wage Plan.

Under Plan No. III, however, we at least find ourselves again reviewing a business wherein a working relationship has been established between employe and employer as such, without any direct employe participation in the business aspects of the industry. The plan itself is a guarantee of regular employment and, strictly speaking, it also cannot be called a Guaranteed Annual Wage Plan. But the two terms are so closely synonymous that this technicality can be overlooked.

As was the case with Plan No. I, it is felt that for the sake of completeness, the entire plan should be quoted before entering into a discussion of the plan.

<sup>1</sup>Proctor and Gamble Company

## GUARANTEE OF REGULAR EMPLOYMENT TO PROCTER &amp; GAMBLE EMPLOYEES

- "1. The following provisions constitute the plan known as The Procter & Gamble Guarantee of Regular Employment and will apply at such factories of The Procter & Gamble Company, The Procter & Gamble Manufacturing Company and The Procter & Gamble Company of Canada, Ltd., as have been duly notified in writing of their inclusion in said plan by order of the Board of Directors of The Procter & Gamble Company.
2. This plan supersedes all former plans for guarantee of regular employment and will become effective April 15, 1941, and thereafter will be the only plan in effect, until terminated, modified, or withdrawn as hereinafter provided.
3. To the employees located at such factories as above stated whose pay is computed on an hourly rate, and who have had at least twenty-four (24) consecutive months of employment immediately preceding the application of this plan to their employment, the undersigned company hereby guarantees regular employment for not less than forty-eight (48) weeks (or its time equivalent) in each calendar year less only time lost by reason of holiday closings, vacation with pay, disability due to sickness or injury, voluntary absence, or due to fires, floods, strikes, or other emergency whether like the foregoing or not, and subject to the following provisions:
  - a. Regular employment shall be understood to mean employment for not less than the hour week established from time to time by the company as the standard hour week at each of its factories.
  - b. When an employee first comes under this guarantee after January 1 of any calendar year, the company guarantees to him under the terms and provisions outlined herein that he shall not be unemployed in excess of four (4) weeks (or its time equivalent), plus time lost for reasons

herein stated, during the remainder of the calendar year.

- c. The company reserves the right under the guarantee to transfer any employee to work other than that at which he is regularly employed, and to compensate him for the same in accordance with the wage rate which prevails for the work to which he has been transferred.
  - d. Upon authorization from the Board of Directors and without changing the established hour week, the hours of work for employees coming within the terms of this guarantee may be limited to 75% of the established hour week less time lost for reasons stated above, whenever in the opinion of the Board of Directors such action seems justified.
  - e. Any individual hired to replace an employee leaving for military service or training, or for other services made necessary by a national emergency, shall be considered a temporary employee and he shall be so informed at the time of his employment. The company will not consider such an employee within this guarantee. If at a later date subsequent to his employment conditions should warrant it, within the sole discretion of the company, he may be informed that he is then eligible for this guarantee in accordance with the terms of this plan.
  - f. The right to discharge any employee at any time is reserved to the company employing such employee.
4. This guarantee of employment has been established because the company believes it to be sound business practice and a desirable protection for its employees. It is the intent of the company to maintain it, but the company must and does reserve the unqualified right, to be exercised at its sole discretion, to withdraw this guarantee at any of its factories, or to terminate or to modify this guarantee at any time."

A quick appraisal of this plan results in the justified impression that the terms of the plan are relatively simple. Some history<sup>1</sup> which is both interesting and important antedates this conclusion.

This company is quite old in the field of guaranteed employment. Away back in the early twenties, management noted that the buying habits of the jobbers and distributors of soap were quite distinctive. Jobbers tended to buy quite heavily in the summer and winter, and usually curtailed their purchasing in the spring and fall. This phenomena appeared incongruous in view of the fact that soap is essentially a year around product which is purchased regularly by the ultimate consumers from the retail outlets.

Further review of this situation divulged that price was a factor in this buying plan on the part of the wholesalers. When prices were advancing, large orders were placed and when prices declined orders fell off. The final conclusion arrived at in the face of these facts was that a considerable cause of the company's widely fluctuating production requirements came about through the company's own sales policies. In the meantime employment was very irregular.

In order to ameliorate this irregularity the company decided to revamp its sales policies even though such a revision would be costly as well as drastic. The fundamental change in policy consisted of selling direct to retailers as well as to wholesalers. This action may appear, on the surface, to be rather insignificant but when it is considered that this simple change involved the hiring of hundreds of additional salesmen as well as an expansion of advertising, some idea may be grasped of the ramifications of the new policy. It was all directed at the maintenance of an even flow of product demand.

<sup>1</sup>National Industrial Conference Pamphlet No. 76

For two years the company studied the results of its revised selling program before introducing its program of employment guarantee. The success of the plan, to date, is evidenced by the fact that it is still in existence despite several national economic crises which have occurred during the past twenty-five years.

At the beginning the plan was applied to selected plants. Gradually it has been extended to all plants in Canada and the United States. At first, service eligibility applied to six-month employees. At present it applies to two-year employees. During World War II the company halted new admissions to the plan, but after the war the plan was re-opened to all employees with two-years of service regardless of when they were hired. On the basis of the terms of the plan the guarantee applies to 70% of the company's personnel.

#### Comments on the Plan

The salient difference between this plan and Plan No. I is the fact that it guarantees to eligible employes a minimum amount of weekly employment per year, whereas Plan No. I guarantees a minimum amount of weekly income per year. In the final analysis this difference may be more apparent than real, since in both cases the employe receives a fairly staple weekly income. In the case of this plan the company has spent money to stabilize demand and, inferentially, its production as a means of stabilizing weekly income. In the case of Plan No. I we saw how this line of action would not be feasible for the meat packing business because of uncontrollable seasonal buying habits on the part of consumers. We must remember that the consumers' buying habits as regards soap is practically constant throughout the year and because of this tendency the soap business is relatively insensitive to swings of the general economy from high to low volume sales.

Paradoxically as it may seem, a business which is relatively insensitive to economic swings needs an employment guarantee plan the least of any business. This is because constant consumption makes for constant production, makes for constant employment, makes for constant income. To put it another way, such a business inherently has within itself a large measure of constant or guaranteed employment which could not be dissipated except through gross mis-management or a like abuse. The value of putting this doctrine down on paper in the form of a guarantee may have certain employe-psychology aspects, but otherwise this act does not materially change the facts. The extent to which the manufacturer is taking a chance, under this plan, could easily be offset by warehousing any temporary excess of production over demand, and this is especially true of the product - soap - since it does not deteriorate in storage.

More important, possibly, is the fact that when you guarantee only employment and not income, it becomes impracticable to judge the plan itself from a social, political, moral, or economic angle. The plan is really neutral from these stand-points because the amount of compensation is not a part of the plan. It is like saying, "I'll guarantee you some kind of employment for 48 weeks next year but the amount of wages you receive will not form a part of this plan". The impression should not be gained that compensation is not adequate to the employes - the point here concerned is that it simply is not part of the plan, and we are confining our judgment, in this review, to the plan as such. The impression may, however, be justified that for the plan to be considered as a Guaranteed Annual Wage Plan, it would have to go far beyond its present scope of guaranteeing only employment.

PLANS WHICH HAVE BEEN PUT INTO EFFECT AND LATER CANCELLED

Out of a total of 61 plans guaranteeing either wages or employment, which the National Industrial Conference Board<sup>1</sup> was able to study, 32 had been discontinued for various reasons. The greatest number, 9, had been discontinued because of "Union activity or attitude" and the next greatest number, 8, were war casualties. Other than this, 7 did not survive the depression following the 1929 economic break, 5 were dropped when state unemployment benefit laws were adopted, and 3 died because of lack of employe interest.

In the light of what we have seen in our review of Plans No. I, II, and III, none of these reasons seem to present an unsurmountable obstacle to the successful operation of such a plan. For example, it has only been rather recent<sup>2</sup> that unions have seriously taken up the cudgel for a guaranteed annual wage, and an employer faced with bargaining collectively for what - he knows not - under the Wagner Act might feel that any existing guarantee might provide a terrific springboard for a highly confining labor racket. Yet, on the other hand, a sound guaranteed wage plan properly administered; coupled with good working conditions might go a long way toward eliminating the need for collective action on the part of employes.

"War Casualties" can be passed by in our review, because during such a period, the entire economy is subjected to abnormal activity and, usually, most anyone willing to work does not need a guarantee of any kind for the duration.

Guaranteed Wage Plans are supposed to be strong and sound enough in their original

<sup>1</sup>Pamphlet No. 76, P. 24

<sup>2</sup>See Introduction

conception to weather depressions. However, it should be remembered that the depression of the thirties was perhaps the most severe ever experienced and, furthermore, was practically world-wide in scope. Who is to say that, had the principle of Guaranteed Wages been put into practice widely or universally prior to the 1929 break, it would not have greatly mitigated the effect of that break?

In a similar vein, state unemployment laws should not logically constitute a reason for discontinuing a guaranteed wage plan. In fact most of these laws carry with them an "experience rating" feature whereby the employer's taxes can be lowered if he maintains a high degree of employment. To that extent these laws foster the establishment of guaranteed wage plans, and certainly do not make discontinuance a desirable thing.

Likewise, lack of employe interest is hard to reconcile with the potential benefits he stands to gain from a sound guaranteed wage plan. If the plan is unsound, or simply a sham, certainly the employes' interest will be slight. But, if the plan is made sufficiently sound, by all the laws of logic it should not die from want of nourishment on the part of employe interest.

These comments do not point to the direct conclusion that general adoption of Guaranteed Annual Wage Plans by industry would be a desirable thing. Rather the point here demonstrated is that those plans which have been discontinued may have survived under other circumstances. The high casualty rate is not an indication that such plans are foredoomed to failure.

CHAPTER III

SUMMARY AND CONCLUSION

### CHAPTER III - SUMMARY AND CONCLUSION

In reviewing certain plans which have been tried we have developed several fundamental points which are of sufficient importance to the whole subject of Guaranteed Annual Wages to bear repetition.

1. Not all plans which involve a guarantee of some kind can be considered, strictly speaking, as Guaranteed Annual Wage Plans.
2. A Guaranteed Annual Wage Plan can be developed which is fundamentally sound in view of its social, political, moral, and economic aspects.
3. Such a plan can be worked out between employer and employe without the necessity of legislative force.
4. In particular cases, and in particular applications, a high degree of success has already been attained along this line.

Over and above these conclusions, it remains to branch out in our thinking with a view to eventually formulating a conclusion as to whether or not the principle of Guaranteed Annual Wages is worthy or possible of general adoption over the whole economy. To accomplish this involves a broad and somewhat detailed statement of the principles involved as well as a scientific analysis of various types of businesses which may or may not be sensitive to the historical swings of the economy from high to low levels of activity.

Also the feasibility of alternative action which might accomplish the same result must be considered, since if such a course would be possible, why bother about all the ramifications of putting a complex plan into general effect?

This follow-through is imperative in the light of current-day world conditions. Within the United States of America men are still relatively free and have a definite value

as individuals. So far these individual rights have not been seriously transgressed. This is not true, however, in other countries of the world where the heel of the dictator has been felt. It is a commonly accepted axiom that materialistic ideologies feed on a sense of insecurity. If Guaranteed Annual Wage Plans, soundly developed on the basis of their social, political, moral, and economic aspects, present a potential means of providing a large measure of security, they certainly deserve the unreserved support of everyone and everything which we call "American".

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4-'47