

#### CHAPTER IV

### THE DOLDRUMS AND THE INTRACTABLE MILLION

By the end of 1922, as we have seen, the immediate violent sequelae of the war were finished. The Doldrums was a period of relative stability and quasi-equilibrium. But the equilibrium was not a healthy one, because it was characterised throughout by a very large amount of involuntary idleness. It has sometimes been suggested that the marked excess of unemployment on the average since the war ended over what it was in pre-war times is in great part merely a statistical appearance, due to the fact that a larger proportion of workers involuntarily idle were recorded as unemployed. I have myself always been sceptical of this explanation; and the fact that after two and a half years of the second war recorded unemployment had become practically nil has confirmed that scepticism. The Doldrums was not a period of slump, rather a period of recovery, in such wise that, on the basis of pre-war experience, the Trade Union unemployment percentage should certainly have been less than 4. Nevertheless, in 1923, starting at a maximum of 13·6 per cent in January, it still stood in December at 9·3 per cent, while in 1924 its best figure (in May) was 7 per cent and in December it was up again to 9·2 per cent. Throughout the whole of the period, January 1923 to April 1925, the percentage recorded for insured work-people in Great Britain and Northern Ireland was only once below 10 for men (9·9 in May 1924) and never below 9·3 for men and women together.<sup>1</sup> The absolute number of persons recorded as unemployed in the insured industries was never less than a million, only in four months.

Cf. Appendix, Section 1, Table VIII, and footnote 1.

in one of these barely, less than 1,100,000, and in nine months less than 1,200,000. In this connection an interesting point is made by the Balfour Committee. On a basis of reasonable assumptions they found that the extra unemployed in 1924 as against 1913 amounted to 800,000, while the employable population had increased by some 900,000.<sup>1</sup> These rough estimates suggest that the number of persons actually finding employment was still substantially the same as before the war, the additional employable population and the additional unemployed about cancelling one another. The hard core of unemployment, the intractable million as we may call it, though, of course, it did not consist of the same persons throughout, but of many different people, some of whom were only out of work for a short time, was not a statistical fiction, but an inescapable fact. It is our business here to elucidate it.

The most obvious fact about the post-war period, after the preliminary upheavals were over-passed, is that the demand of the community (the public and the Government together) for soldiering and munition-making became enormously less and was in great part shut down. Of ex-Service men returning to civil life the great majority would naturally try in the first instance to move back into their pre-war occupations. Many of them, indeed, had had their former jobs kept open for them. But, of persons who had entered gainful employment for the first time during the war and wanted to continue in it, the majority, having no skill for any kind of job except the one they were actually doing, would try to stay where they were. Hence, in the Doldrums, we should expect to find the proportion of the population seeking employment in industries that had been swollen during the war to be somewhat larger, and the proportion seeking it in those that had been contracted somewhat smaller, than before the war began. Among

<sup>1</sup> *Survey of Industrial Relations*, p. 37.

the war-expanded industries iron and steel, electrical engineering, ship-building and marine engineering, cycles, motors and aircraft, miscellaneous metal trades, certain chemical trades, and Government establishments, dock-yards, arsenals, etc., were especially prominent. According to the Z8 returns the number of men in these occupations increased from 1,115,000 in July 1914 to 1,706,000 in November 1918, *i.e.* by 591,000.

A wider setting into which these estimates may be fitted is provided by the facts about industry recorded in the Censuses of 1911 and 1921 for England and Wales<sup>1</sup>—difficulties of classification interfere with the construction of a table for Great Britain — and extracted by Dr. Bowley. The decline in agriculture and the expansion in coal-mining and in the metal trades were in line with the movement recorded between the 1901 and 1911 Censuses;<sup>2</sup>

<sup>1</sup> Cf. *The Economic Position of Great Britain*, by A. C. Pigou and Colin Clark (London and Cambridge Economic Service, Special Memorandum No. 43), pp. 11-12. The tables are based on those given by Dr. Bowley in the London and Cambridge Economic Service, Special Memorandum 17A, pp. 8-10.

<sup>2</sup> The occupational tables in the Census of 1921 are not comparable with those of 1911 owing to changes in classification; so that over that period only the industrial tables can be used. The figures below are taken from the occupational tables in the Censuses of 1891, 1901 and 1911.

UNITED KINGDOM: MALES AGED 10 YEARS AND UPWARDS  
OCCUPIED

	1891 (Thousands)	1901 (Thousands)	% Increase	1911 (Thousands)	% Increase or Decrease
Coal and shale mines . . .	596	749	26	1,016	35½
Metals, ma- chines, imple- ments and conveyances .	1,098	1,410	27½	1,672	18½
Ships and boats only . . .	97	127	31	163	28
Building and construction .	953	1,333	40	1,208	-9
All occupied males . . .	11,463	12,951	13	14,308	14½

though, as might be expected, for metals the rate of movement was much accelerated.

CONTRACTED INDUSTRIES

	1911	1921	Change	
	(Thousands)	(Thousands)	Absolute	Percentage
Agriculture . . .	1230	1124	- 106	- 8
Cotton . . .	628	596	- 32	- 5
Dressmakers, milliners, etc.* . . .	401	191	- 210	- 52
Building and construction . . .	861	758	- 103	- 12
Private domestic service . . .	1527	1232	- 295	- 19

EXPANDED INDUSTRIES

	1911	1921	Change	
	(Thousands)	(Thousands)	Absolute	Percentage
Coal-mining . . .	971	1133	+ 162	+ 17
Chemicals . . .	133	198	+ 65	+ 49
Iron and steel manufacture . . .	166	239	+ 73	+ 44
Engineering and ship-building . . .	637	887	+ 250	+ 39
Electrical apparatus . . .	80	166	+ 86	+ 107
Cycles and motor cars . . .	99	199	+ 100	+ 101
Gas, water, electricity . . .	109	163	+ 54	+ 49
Railways* . . .	455	549	+ 94	+ 21
Shipping . . .	144	193	+ 49	+ 34
National Government . . .	414	647	+ 233	+ 56
Local Government . . .	298	465	+ 167	+ 56
Entertainment and sports . . .	71	116	+ 45	+ 63

\* Comparison is affected by changes in classification.

Further light on this matter is thrown by a comparison

made by Dr. Bowley<sup>1</sup> between the shift of population into certain industries and the increase in population.

## GREAT BRITAIN AND IRELAND

	1911 (Thousands)	1921 (Thousands)	Increase
Male population, aged 15-65	12,536	13,316 (estimated)	780
Males over 16 in engineering, ship-building, vehicles, iron and steel, and metal indus- tries	1,600	2,175 (Jan. 1922)	575

Thus over three-quarters of the total increase in the male industrial population between 1911 and 1921 was attributable to this small group of occupations.

The post-war allocation of would-be wage-earners that I have been describing was, as the reader will have perceived, mainly based on what the comparative demands for labour in different occupations were before the war and on what they had become during the course of it. But the states of demand — demand schedules — for labour in various occupations, when they had settled down after the war, were determined by the circumstances and the prospects visible then. In so far as these circumstances and prospects were different from what they had been before, with any given pattern of relative wage rates the relative quantities demanded would also be different. *A fortiori* they would be different from the relative quantities of labour that had become attached to various employments under the influence of pre-war and during-the-war happenings. More generally, any wide divergence between post-war and pre- and during-the-war conditions of demand might be expected *pro tanto* to create differences between the proportions in which wage-earners were wanted and the proportions in which they were offering themselves for various kinds of work.

<sup>1</sup> *Economic Journal*, vol. xxxiv, p. 5.

Without attempting to go into the subject in detail, we may distinguish four important developments that strongly affected demand conditions here. First, a number of countries, which had previously been accustomed to obtain manufactured goods from the great industrialised countries, notably from Great Britain, being shut off during the war from their sources of supply, started producing for themselves, and, after the war, naturally made strong efforts to maintain their new industries. Thus Japan and India became considerable manufacturers of textile goods ; with the result that British-made textiles were less needed. Secondly, war shortages in Europe had caused a very large acreage of land in the New World to be turned over to agriculture — a development which those who had undertaken it were unwilling after the war to undo. At the same time technical agricultural improvements had increased productivity. These changes led, when European agriculture began to recover, to very cheap prices for agricultural products. Since British demand for these products is not very elastic, we were able to get what we needed of them in exchange for a reduced quantity of exports ; or, to put the same point in other language, foreign producers of agricultural goods, having to sell them cheap, had not the means to buy so much of our exports as before. Lastly, in the period following the war the quantity of investment abroad in real terms undertaken by this country was substantially smaller than it had been before 1914. Mr. Colin Clark puts the money value of our overseas investments in 1907 at £138 millions, in 1924 at £72 millions.<sup>1</sup> Since prices were much higher in the latter than in the former year, the proportionate reduction in real terms was, of course, much greater than in money terms.

All these three influences, it will be noticed, struck specially heavily at those of our industries whose products

<sup>1</sup> *National Income and Outlay*, p. 185.

entered into the export trade.<sup>1</sup> It is not surprising, therefore, to read Mr. Henry Clay's contemporary (1923) comment: "The significant features in our foreign trade are the reduction in the volume of our exports and the steady trend back to the pre-war distribution by markets. The volume of exports of United Kingdom products, as measured by exports at 1913 prices, reached its highest point since the Armistice in the June quarter of this year, when it was just over 80 per cent of the 1913 volume. The trend of trade is indicated in the following table of percentages :

BRITISH EXPORTS

Percentage of Total Value to	1913	1919	1920	1921	1922
British Empire . . . . .	32.7	20.0	30.6	34.9	33.8
Europe . . . . .	37.6	57.0	40.4	35.1	37.6
Non-European foreign countries . . . . .	28.1	21.3	27.4	27.7	27.1
France . . . . .	6.4	19.0	11.3	7.0	8.0
Germany . . . . .	9.5	2.4	3.3	5.0	6.0
British India . . . . .	11.3	7.5	11.8	13.8	11.3
U.S.A. . . . .	9.4	6.8	8.4	8.0	9.3

"It does not look as if there were any easy alternative to our pre-war commercial relations ; it is a world with similar, if diminished, wants that we have to work for. We may have gained at certain points — Europe is probably more

<sup>1</sup> This general statement may be illustrated. The demand for coal for export and, less markedly, for home use was badly hit in the nineteen-twenties on account of technical developments. Alternative sources of power superseded coal in a number of important uses. Thus ways were found for developing electricity from lignite and — much more significant — from falling water. The internal-combustion engine, using petrol, led to a substantial substitution of road transport, which did not, for railway transport which did, depend on coal. Between 1914 and 1929 the proportion of oil-burning as against coal-burning ships rose from 3.4 to 38 per cent. As a consequence of these and other similar developments, whereas before the war the world consumption of coal had been increasing on the average by 4 per cent per annum, in 1929 it was only 9 per cent larger than it had been in 1914. But the effects of these changes did not make themselves fully felt until the later nineteen-twenties. The demand for British coal was specially good in 1923 on account of the French invasion of the Ruhr and the consequent severe check to German coal production. Unemployment in our coal industry did not become severe until after the Great Strike in 1926.

dependent, not less, on British coal — but in the main the war has tended to reduce for the time being the country's real income from exchange, as it has reduced the resources with which it gains that income.”<sup>1</sup>

The rift brought about by these and other causes between the quantity of labour wanted and the quantity offering itself for work over important parts of our industry is clearly shown in the following table from Sir William Beveridge's *Unemployment, a Problem of Industry*.<sup>2</sup> I have rearranged it so that the industries are set out in the order of the percentages of unemployment recorded for the year 1924.

The extremely unfavourable situation in the war-expanded industries is immediately apparent. So also is that of the textile industries, a large part of whose sales is normally made abroad; and that of dock, harbour, river and canal service, which is also bound up with foreign trade. The heavy unemployment in this last group of occupations, as also in that of public works construction, is, however, in part accounted for by the disorganised manner, notorious long before the war, in which these industries engage their labour, casual methods which also prevail, though in a less degree, in the building industry.

The opening of the rift that I have been describing was naturally associated with alterations in relative wages; money rates rising much less markedly in the overcrowded industries than elsewhere. For example, if we put wage rates ruling in August 1914 at 100, the corresponding figures for March 1923 were 176 for bricklayers, 260 for railway porters and 185 for wool and worsted spinners and weavers; but for ship-builders' riveters they were only 120, for fitters and turners in the engineering industry 145, for coal miners 130, and for cotton spinners and weavers 161.<sup>3</sup>

<sup>1</sup> *Economic Journal*, vol. xxiv, p. 13.      <sup>2</sup> *Loc. cit.* p. 351.

<sup>3</sup> *Manchester Guardian Commercial*, European Reconstruction Issue, No. 16, p. 867. Cf. Appendix, Section III, Table III.



Industry	Numbers Employed (100)	Unemployed	
		1923	1924
Ship-building and ship-repairing . . . . .	270	%	%
Dock, harbour, river and canal service . . . . .	191	29.4	33.8
Steel-smelting and iron-puddling furnaces, iron and steel rolling mills and forges . . . . .	211	25.6	29.9
Shipping service . . . . .	127	21.1	24.5
Public works construction, etc. . . . .	128	19.5	20.8
Road transport not separately specified . . . . .	149	17.8	17.7
General engineering, engineers' iron and steel founding . . . . .	667	15.4	14.1
Cotton . . . . .	568	-15.2	12.6
Textile bleaching, printing, dyeing, etc. . . . .	115	13.7	8.3
Hotel, boarding-house and club services . . . . .	259	12.7	13.0
Metal industries not separately specified . . . . .	165	12.3	11.0
Building . . . . .	716	11.4	10.3
Tailoring . . . . .	186	10.6	9.8
Bread, biscuits, cakes, etc. . . . .	160	9.5	10.3
Boots, shoes, slippers and clogs . . . . .	142	9.4	9.1
National Government . . . . .	181	9.2	10.5
Chemicals . . . . .	104	9.1	7.7
Construction and repair of motor vehicles, cycles and aircraft . . . . .	192	9.0	9.0
Dressmaking and Millinery . . . . .	117	8.5	7.0
Furniture-making, upholstering, etc. . . . .	94	7.5	7.3
Local Government . . . . .	242	7.2	6.2
Drink industries . . . . .	100	7.2	8.6
Woollen and worsted . . . . .	269	7.0	6.7
Hosiery . . . . .	90	7.0	14.6
Distributive trades . . . . .	1,254	6.9	8.7
Laundries, dyeing and dry cleaning . . . . .	107	6.6	6.7
Gas, water and electricity supply industries . . . . .	173	6.2	5.7
Railway service . . . . .	190	6.1	6.1
Coal-mining . . . . .	1,244	5.8	6.3
Printing, publishing and bookbinding . . . . .	228	5.7	15.8
Commerce, banking, insurance and finance . . . . .	227	5.4	4.9
Professional services . . . . .	109	4.9	4.9
Tramway and omnibus service . . . . .	108	4.0	3.5
		3.2	3.6
All industries . . . . .	11,486	10.3	11.3

Note.—The numbers employed are taken from the *Ministry of Labour Gazette*, November 1923, and the annual unemployment percentages are calculated from the monthly figures given in the *Gazettes*.

More detail is provided in the following table prepared by Dr. Bowley :

INDEX NUMBERS OF WAGES <sup>1</sup>

	Rates of Wages for a Week's Work (as used in the Bulletin Index Number)			Ministry of Labour Gazette, Sept. 1923		Estimated Percentage for Hourly Rates, 1923 (Sept.)
	1914 (July)	1920 (July)	1923 (Sept.)	Percentage (1914 as 100)	Basis of Payment, etc.	
Bricklayer .	100	235	161	190	Hour	190
Bricklayer's labourer .	100	300	177	214	Hour	214
Compositor*	100	251	213	207	Week	226
Railwaymen	100	279	203	200	Week, minimum increase	230 approx.
Dock labourer .	100	265	167	172 to 200	Day	215
Engineering, fitter .	100	229	146	145	Week	165
Engineering, labourer .	100	309	178	176	Week	200
Coal .	100	242	140	166	Shift	160 to 190
Cotton .	100	260†	157†	161	Week	181
Wool .	100	239	180	180	Week, minimum increase	214
Agriculture	100	254	168	156	Week	172
Average	100	264	174	170	Week, including several other industries	190 to 200

Notes.—The columns under *Ministry of Labour Gazette* are summarised from an article in its issue for October 1923. The first three columns show the average of the changes in a number of selected districts, except in the cases of railways, cotton and wool, where the original statistics relate to the whole or a great part of the industry. The final column is obtained from estimates of the reduction of the working week.

\* The majority of compositors are paid on a time basis, the minority on daily newspapers or special work by piece.

† The numbers actually used in the Bulletin index for cotton were 300 and 181, which are based on piece rates and do not allow for the shortened week; this excess is balanced in the average by an under-estimate for coal-miners, which does not allow for the additions described in the text.

He comments as follows : "As the figures stand, the index number for weekly rates of wages was nearly identical

<sup>1</sup> London and Cambridge Economic Service, 1923-6, Memo. 5, p. 2.

with that of the Cost of Living in September 1923, so that average real wages of those employed for the normal week were practically the same in 1914 and 1923. . . . There is considerable variation about the average. Unskilled labour (other than agricultural) has gained more than skilled. It is very noticeable that in those industries which depend to a great extent on export (engineering, coal and cotton) and in agriculture, which is affected by imports, the increases have been less than in building, in printing and on railways, which are nearly immune from foreign competition. The woollen industries have had, till 1923, a nearly secure home market, which is relatively more important to them than in the case of the cotton industry, and the increase in woollen is greater than in cotton wages.”<sup>1</sup>

The relatively low levels of wages in the overcrowded industries, besides helping in some measure to close the rift between demand and supply by making it worth while for employers to engage more work-people there, also helped to do this in a more fundamental way by discouraging people from coming into the overcrowded industries, and encouraging some of those already there to go away. The expulsive power, even of relatively low wage rates and heavy unemployment combined together, worked, however, in a very slow and hesitating manner. For this there were three principal reasons. First, as everybody knows, when only small shifts in relative numbers are needed, these can be accomplished without any adult trained person moving, simply by a change in the direction of the stream of new recruits coming into industry every year. For example, if, as appears to be the case, the average period of a man's industrial life is about thirty years, a contraction up to 3 per cent per annum could, theoretically, be accomplished in a representative industry

<sup>1</sup> London and Cambridge Economic Service, Special Memo. No. 5, p. 3.

simply by no new recruits coming into it. In women's industries, where, owing to the custom of retirement on marriage, industrial life is on the average only about one-third as long, an annual contraction up to 10 per cent could be accomplished in that way. Obviously adjustments made by the diversion of new recruits have much less friction to overcome than adjustments by the actual shifting of adult wage-earners. But the adjustments needed to close the rifts in the post-war period were much too large to be made in this manner. To do that, very large numbers of adult workers would have needed to change their jobs, and, in many instances, their homes. This they were naturally very unwilling to do; it entailed a tremendous wrench. Secondly, though, when one looks back afterwards, it is often easy to see that such-and-such a contraction of demand for labour in a particular industry was due to causes unlikely to be reversed, at the time it may well have been impossible to see this. Inevitably those affected hope against hope that the set-back is only temporary and that presently demand will revive. They prefer to face the hardship of unemployment for what they trust is only a little while, rather than uproot themselves and their families and start out on new and unknown ventures. In the period of chaos following the war, uncertainty about the prospects of demand in different occupations and consequent reluctance to take an initiative were of necessity very great. Thirdly and lastly, in periods when certain industries obviously need more workers — a war or a railway boom — a worker out of a job, who wants to move, has no difficulty in deciding where to go. But, when the only obvious thing is that his present industry needs less workers, such a man has great difficulty. In the period 1923-5 it was plain enough that ship-building and engineering, for example, were overcrowded occupations. But what occupations were crying out for new workmen? When a few

industries need to contract a great deal, even though the rest in the aggregate are prepared to expand in equal aggregate measure, since the number of new workers that any one of them is able to take on is small, the openings are not easy to see. Candidates for work may be ready to move but have no clear guidance about *where* to move. If they do move, will they not merely find themselves unemployed in some other job or some other place? The temptation to stay where they are in the vague hope that something will turn up is very strong. These three factors greatly impeded the adjustment of relative supplies to relative demands for labour in the period of the Doldrums.

The above causes in combination had powerful effects. In one instance they — or some other more hidden cause — led for a short time to a highly paradoxical result. “The Ministry of Labour’s insurance figures show that the movement of labour into the overcrowded engineering industry was continuing through the worst of the depression; the number of men and boys insured in this occupation group was 951,000 in July 1918, 1,044,000 in January 1922, 1,066,000 in September 1922.”<sup>1</sup> This, however, is not a representative case. Unfortunately, full statistics for the number of persons insured in different industries are not available till 1923. But the tables published in the Nineteenth Abstract of Labour Statistics reveal that between the Julys of 1923 and 1925 the number of men insured in Great Britain in general engineering fell from 619,000 to 572,000, those in steel-smelting and iron-puddling furnaces, etc., from 206,000 to 193,000, those in ship-building and ship-repairing from 241,000 to 218,000, and those in woollen and worsted from 206,000 to 196,000; while the numbers in electrical engineering rose from 49,000 to 60,000, those in building and public works construction

<sup>1</sup> *Manchester Guardian Commercial*, European Reconstruction Issue, Section 15, p. 843.

from 817,000 to 883,000, and those in the distributive trades from 737,000 to 868,000. But these and other associated adjustments were not enough, as the table printed on p. 50 shows, to prevent the chief war-expanded industries from still suffering in 1925 from much more than average unemployment.

One comment remains to be made. Had it been feasible to reduce wage rates in the sheltered industries, larger quantities of labour would have been demanded there, so making it more apparent to people in the over-crowded industries where work was to be found. More of them, we may presume, would have moved across; and employment in the two sets of industries together would have been larger than it was. Wage rates in the industries from which men moved might well on that account not have fallen so far as they did; and it is even possible that the average rate of money wages in all industries together might not have been any lower than it was. Whether this would have been so or not we cannot be certain; it is, I think, unlikely. In any case it is difficult to see how, in industries that were themselves prosperous, work-people could have been brought to accept wage reductions for an end so remote from their own interests as that of enticing into competition with themselves unemployed men from other occupations. Still, the considerations set out above make it plain that throughout the Doldrums wage-earners in those other occupations had a stronger economic case — not merely a stronger sentimental case — than their more fortunate colleagues for resisting further cuts in their already low rates of wages.