

CHAPTER IX

DISTURBANCE OF TRADE BY INDUSTRIAL
STRIFE

The 'Strike Problem'—Establishment of Industrial Council—Is Co-partnership or Profit-sharing a Solution?

MANY futile attempts, official and unofficial, have been made to deal with the 'strike problem.' Unofficially, manufacturers in various trades have themselves been successful in finding a common ground upon which employer and employed may meet in the event of disputes. Officially, we have the establishment of the Conciliation Board, and, later, the Industrial Council, the outcome of the irrepressible energy of Sir Charles Macara.

It is questionable, however, whether we have arrived at a satisfactory solution of the problem. If both masters and men, or either of them, refuse to accept the terms of settlement laid down by Boards, Councils, or Government Departments, are we to resort to compulsion? Are we, indeed, able to forge a body of a million men, for instance, to do something against their own inclination?

It is obvious that even greater disaster might lie ahead of any attempt at compulsion. Yet if trade agreements are to be set aside at the whim of any body of men, headed by an erratic leader, there can clearly be little use for Councils or Boards to spend time in deliberations leading to settlements which they have no power, or which it is considered impolitic, to enforce. I have discussed this question with Sir Charles Macara, with Sir Edward Fithian, who have both had many years of experience in connection with commercial problems, and with many other public men who are keenly interested in finding a solution of the problem.

I find that a general feeling prevails that we do not, as a nation, fully realise the vital importance of remedying the industrial unrest which exists at the present time. British commerce may emerge unscathed from one or even two periods of national chaos and disorganisation such as that witnessed in 1911-2. The third or the fourth time, however, we may not even 'muddle through.'

The question concerns the public as much as the manufacturer and the employee, and no remedy will be effective that does not admit the public to a voice in the settlement of the

strike problem, so far as it affects their well-being. Legislation should, therefore, commence most properly with those industries which directly affect the welfare of the community, that is, all public utilities. It should not destroy the right of employers or employed to terminate contracts, nor should it interfere with the organisation of employers' associations or trade unions, but it should establish legally a right on the part of the community to intervene in a trade dispute by enacting that a stoppage, either by strike or lock-out, shall not take place until the community, through a Government Department, has investigated the difference with the object of ascertaining if a recommendation cannot be made acceptable to both parties.

In Canada such legislation is believed to work satisfactorily, as out of 132 disputes between March, 1907, and September, 1912, referred for adjustment under the Canadian Act, 20 were settled while negotiating for investigation; 107 were reported upon by the Boards; 5 were before Boards at the time the return was made; and only 15 strikes occurred out of the 132 cases. Sir George Askwith is strongly in favour of legislation on the Canadian lines, and it is not unlikely that this plan may

ultimately be tried in this country. Whether certain penalties should be included will probably prove a bone of contention. Under the Canadian Act, any employer declaring or causing a lock-out contrary to the provisions of the Act becomes liable to a fine of not less than \$100 nor more than \$1000 for each day or part of a day that such lock-out exists, while any employee who goes on strike contrary to the Act becomes liable to a fine of not less than \$10 nor more than \$50 for each day or part of a day that he is on strike. Any person who incites, encourages, or aids in any manner a lock-out or strike contrary to the provisions of the Act shall be guilty of an offence and liable to a fine of not less than \$50 nor more than \$1000.

The ranks of both employers and employed are likely to be sharply divided on the question of penalties, but as legislation is of little value unless thoroughly effective, it is possible that some common agreement may be arrived at in the case of such industries as coal mines, railways, shipping, etc., wherein the welfare of the public is largely involved.

The Industrial Council, on which both employer and employed are represented, was established primarily with a view to the

stoppage of strikes. Supporters of the scheme allege that the Government have not called the Council into consultation early enough when strikes have been imminent, while the sceptics declare that the Council affords no effective remedy for the settlement of labour disputes. It seems, however, a reasonable assumption that the existence of a Council made up of the representatives of both labour and capital under the presidency of an impartial official nominated by the Government could be beneficial in many ways apart from the settlement of industrial disputes.

The leaders and delegates of labour meet in conference each year, as do the leading employers of the country through the Chambers of Commerce of which they are members. It is possible, therefore, that the Industrial Council may yet be the nucleus of a dual conference, a great Industrial Court which should debate the points at issue between men and masters long before such matters become grievances and are alleged as the reason for unrest among the workers. The recommendations of such a Court should carry very great weight with the Government of the country, and probably give birth to remedial legislation of a far more practical character than

is brought into being day under the ægis of lawyers and professional men who have had no practical experience of industrial conditions.

Were the matter of less grave import, we could regard it, indeed, as a laughable anomaly that the commercial affairs of the greatest commercial nation of the world should be regulated by professional men with only a theoretical experience of industrial life, and that its Government Departments concerned in administering commercial laws and directing British trade should be staffed by men who have come straight from the Universities to an administrative office. The workman may justly be sceptical of the advice emanating from such departments, and we know that the employer has more than once in recent years resented their interference.

With one prominent exception, there are in every department of the Government of the country men of wide practical experience in the work they direct. The War Office is controlled by military experts; the Admiralty is served by Sea Lords of naval reputation; the Foreign Office is staffed by men trained in the British Embassies; and the Colonial Office is full of men who have had practical experience of governing in the Colonies themselves.

The Board of Trade, which is the responsible administrator of the vast trade of a mighty trading nation, is directed by men of first-class classical and mathematical attainments, but whose experience of the practical side of industrial life is practically *nil*, apart from a few men who have been promoted from the ranks of the labour leaders because of their intimate knowledge of the social and economic conditions of workers.

The administrative clerks who are the go-betweens of the Board of Trade chiefs and the employers of the country know less about the conditions and details of industrial life than an intelligent trade apprentice of a few years' experience; yet it is often on the basis of their clerical reports that the departmental chiefs make recommendations to whatever Government may be in power. Small wonder is it, then, that the legislation based on data drawn from so inadequate a source is theoretical and ill-advised, as we have already described it. Happily, there are many indications to show that this state of affairs is at last coming to be recognised as an avoidable hindrance to the satisfactory treatment of our industrial troubles.

Whatever may be one's political views

of the industrial unrest and its effect upon the country, every one is agreed that a satisfactory solution would be welcomed by all manufacturers and employers, as well as by the great army of skilled and unskilled labour which depends for its livelihood upon the maintenance of the country's commerce.

In the spring of 1913, I had occasion, in connection with an investigation I was then pursuing, to communicate with the managers of about three hundred joint-stock industrial companies in the United Kingdom. I desired to find out to what extent the principle of co-partnership or profit-sharing with employees had been adopted by industrial limited liability companies as distinct from private firms, and whether its adoption had helped in developing their trade, in encouraging the workpeople to produce a greater output, and in inculcating thrift among the employees.

The Board of Trade has defined profit-sharing as an arrangement involving 'an agreement between an employer and his workpeople under which the latter receive, in addition to their wages, a share, fixed beforehand, in the profits of the undertaking.' Co-partnership is described by the same authority as 'an extension of profit-sharing, enabling the

worker to accumulate his share of profit in the capital of the business employing him, thus gaining the rights and responsibilities of a shareholder.'

These definitions are too inelastic to be accepted as final, but we find that in 1911 there were 133 profit-sharing schemes, including within their scope 106,000 workpeople. Since 1829, when what is generally regarded as the first profit-sharing project was introduced on Lord Wallscourt's farm, no fewer than 299 schemes have been in operation, out of which 166 projects have gone under.

Such a record does not appear to offer any great encouragement to the view that profit-sharing is capable of general application to British industry, but it is stated that the comparative failure which the figures indicate is not (as the official writer puts it) 'traceable to any inherent fault in the scheme as such, but to the falling off of business, and to the fact that there were no profits to share.' It is therefore obvious that the success of a profit-sharing scheme depends upon its adaptability to the ordinary fluctuations of trade, so that when trade is profitable the workman benefits, and when it is unprofitable the workman does not benefit

above the fixed minimum wage which is necessary for him to live upon. My reason for communicating with joint-stock companies was that as the actual profits or losses were publicly disclosed in their accounts, a much sounder idea of the value of profit-sharing schemes could be obtained from their replies than by an indiscriminate inquiry among private firms. The results of the investigation are described in detail in an article in *The Financial Review of Reviews* of June, 1913.

The impression left upon me after a perusal of all the replies was that an employer can readily adapt a profit-sharing scheme to the requirements of his business wherever he keenly desires to do so, and after a few years of working can remedy any defects without serious disturbance of his organisation; that where schemes have been introduced they have tended to alleviate unrest among workpeople; but that increased expenditure, rather than saving, has resulted among the participants in the profit-sharing schemes.

Unfortunately, co-partnership and profit-sharing schemes have become associated in the minds of most employers with ideas of Communism and Socialism, and the manufacturer is not disposed to allow what he

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regards as the 'thin end of the Socialistic wedge' to enter the smallest crevice in the organisation of his factory. It must be left to time and experience to show that co-partnership between employer and employee may be based upon a perfectly sound economic foundation, and may afford very far-reaching benefits to the employer in many ways, not the least of them being a freedom from the strike fever and perpetually recurring trouble with workpeople.