# CHAPTER VIII.

## ARBITRATION AND THE INDUSTRIAL SITUATION.

One of the signs of the times is the fact that the great mining, transportation and manufacturing corporations of the country are now generally willing to treat with, and recognize, organized labor through its committees. The trades unions have shown by their numbers and generalship that they are worth consulting, instead of being unceremoniously turned down. There is a possibility that the trusts—the big corporations—may regard it good policy to enter into agreements with its workers, whereby for a bit of the spoils the trade organizations directly affected will consent to withdraw opposition, and may even unite with them in exploiting the public. At the last convention of the American Federation of Labor in Detroit, and at the meeting at Louisville, Ky., a year later, there cropped out, several times, evidence that if any effort should be made to denounce the trusts, the organized interests that had more or less profitable agreements with the magnates as to time and wages would spring to their defense.

This is only carrying out the tactics of the protected manufacturers before the trusts became the power they are today. The wages paid the members of the Amalgamated Association of Iron and Steel Workers, when protection or free trade was the dividing line between republicans and democrats, to a great extent, was one of the best weapons in the hands of the republicans to hold wage-workers in line for that party. Next came the glassworkers, who also agreed with the manufacturers that for a wage something above the average, their powerful aid would be given to have the protective doctrine extended to other employments.

Most of the protected interests have entered more or less into combinations with labor to reduce or entirely prevent foreign competition, and those wage-workers employed in such businesses who have failed to seize the opportunity to improve their financial standing through the political necessities of their employers, have either been very stupid or very ignorant.

This condition of affairs has done much to bring into prominence in this country arbitration as a means of settling wage disputes. On the eve of an election, when the defeat of a few congressmen might change the political complexion of the national legislature, a great strike is a serious matter, and the millionaire employers have even been willing, under the probings of their political friends, to meet a committee of workingmen and consider the situation. Just as the late Governor Hazen S. Pingree compelled the legislature to reconsider its action in relation to the assessment of railroad property, by convening them on the eve of an election, so trade organizations have time and again compelled the protected manufacturers to make concessions.

While such action has in it much that is in the nature of compulsion, it is nevertheless a fact that it has enabled the system of arbitrating labor troubles to get a foothold, until it is hard to find large employers who are unwilling to meet labor committees and at least listen to their spokesmen, even if they do not agree with their conclusions. Here and there are small manufacturers who stand on their dignity and will "hear to" no "dictation," yet the experience of others in taking like action is gradually having a modifying effect on even this class.

So it has come to be an acknowledged business proposition that it pays to arbitrate. It saves time and money, prevents the loss of custom that is hard to get, but can be easily frightened away, reduces industrial friction, prevents waste, averts stoppages that often take years to recover from, and keeps the working

force of the establishment in shape to do the best work at the minimum cost.

The power of labor lies in the obvious fact that it is a very costly proceeding to expend thousands of dollars in the installment of a great plant, only to be unable to work it because there is a difference of opinion as to whether the machine tender should be paid $1.25 or $1.40 a day. To say that an establishment can shut down until the men come to the company's terms, is true; but it is to lose sight of the fact that the plant has been established to create wealth, not to eat it up by lying idle. Better pay $2 a day, other things being equal, than to do nothing. It is never necessary to pay above the market. Labor seldom demands it, and no arbitrators will father it.

Arbitration allows of continuous operation of manufacturing plants. That in itself is of inestimable value. It prevents the demoralization of workmen that follows months of idleness, and which is equally demoralizing to that economy without which, in the rush of competition, few plants can survive. It is as much the part of wisdom for great establishments to agree to the peaceful settlement of labor disputes through a board of arbitration, as it is to take all possible precautions against a breakdown. In fact it is more essential to success to prevent labor disputes that may close a concern indefinitely than it is to guard against accidents to machinery. For the latter has only to deal with inanimate and dead matter, while a labor dispute involves a conflict with brain and brawn, living organisms that have wants, desires, aspirations, hopes and opinions.

If war between nations is hell, so also it is between laborers and employers in the industrial world. Many a great establishment owes the beginning of its downfall and financial collapse to a labor dispute, though the works were closed only for a short time, or not at all. English manufacturers have recently become painfully aware that though the great engineering

strike of 1897, for an eight-hour workday, was won by the employers, the long struggle enabled American competitors to gain a foothold in the race for the trade of the world from which England may never recover. The American product has slipped into the place formerly occupied by the English article. It is this, more than any other one thing, that has given such an impetus to our exports of manufactures. The English employers in this trade at least will think twice before they again allow such a long period of idleness to arise from a labor dispute.

Compulsory arbitration sounds something like a misnomer. To arbitrate anything is voluntarily to get together, talk over the situation, and amicably decide what to do. Arbitration on any other plan is a resort to force. From the standpoint of the employer, compulsory arbitration looks like robbery, when somebody outside of his business tells him he must pay his employes more wages, and on the part of the worker it resembles slavery, when he is informed that a supposedly disinterested board has decreed that he must work for less pay. Of course there is the option on the part of the employer of shutting down, and on the part of the laborer of changing his employment, or at least his master. Yet both are easier said than done. A man with his capital locked up in his business is in no position to stop. He cannot sell to advantage, because the decision of the board is against his mill or factory, and not against himself personally. And with employments concentrating under the control of a few, and these well organized, the worker is not in a position to pull up stakes and quit. He is simply inviting disaster.

Accounts of the compulsory arbitration law in New Zealand are interesting. Very plausible arguments are constructed on the side of compulsory arbitration. The law was passed some eight years ago, and while it applies only to industries in which there are trades unions, and does not prevent private conciliation or

arbitration, yet it compels both sides, when an arbitration board has been asked for by either party to the dispute, to abide by the finding. It goes further than this. If, without good cause, the employer shuts down, or the employe quits work during the life of the decision, they can be punished by fine and imprisonment.

The New Zealand law was first tried in the dispute between the federated boot manufacturers and the associated unions. The difficulty started in 1891, but was patched up by an agreement to last three years. Some of the manufacturers refused to prolong the life of the contract, and the men appealed to the court of arbitration, which refused the request of the men that only unionists should be employed, but enjoined that members of the union should be given the preference, for this had been "the custom of the trade." And it limited the hours to not more than nine a day, or more than 48 a week. It also fixed the number of apprentices, and decided that the minimum wage should be $10 a week.

The manufacturers grumbled at the decision and said that those in the association were placed at a disadvantage with those outside, but the court cited the outside manufacturers before it, and notwithstanding they said they had "conscientious scruples" against belonging to any association, compelled them to carry on their business under the same conditions as insisted upon in the factories where the difficulty arose.

The women workers of the country also received attention. The shirtmakers and other clothing operatives thought they were being oppressed, and after unsuccessful attempts to better their condition, appealed to the arbitration court. The court awarded the operatives only a part of the wage asked, but gave members of the union the preference, and abolished the sweatshop. Seven out of forty-nine manufacturers refused to accept the finding, but the court compelled them to, so that now women get higher wages and better conditions, and whatever competition there

is, is transferred from grinding down flesh and blood to business ability in buying raw material and in planning for an economical system of manufacture.

Does not compulsory arbitration interfere with the free right of contract? Cannot a man agree to work for any rate of wages? The law says in effect: No, the right of free contract is limited to those arrangements that do no harm to the state. When contracts imperil the health and happiness of those composing the community, society has the right to interfere, it says, to protect its own interests. For civilization demands something of each individual, and he has no right to make any contract that will in any way prevent him giving society its due.

All of this is coming as near to socialism as is possible without having the real thing. If the government can regulate the wages a manufacturer must pay—and that is what is being done in New Zealand —it is not such a great step for the government to step in and be the employer. Certainly if the conditions imposed are such as to render the return to capital insecure, this will be the result, for then the manufacturer will be the one to petition the government to buy him out. In defense of compulsory arbitration one New Zealander puts it in this way:

"We cannot understand why compulsion cannot be used to prevent economic invasion of one class by another, which is just the same thing, for all intents and purposes, as the invasion of one country by another."

Thus far, the New Zealand decisions of the arbitration boards seem to have been almost universally in favor of the employes. By and by, when the unions, under the fostering care of the boards, become strong and arrogant, there is likely to be a change, when it is probable the system will lose some of its present popularity with wage-workers.

It must be admitted that peaceful arbitration, in so far as it refers to labor troubles, has not been very

successful in this country. Perhaps this is because it has been tried before the public saw the necessity for accepting such decisions as binding. With almost boundless natural resources undeveloped, heretofore if the employe did not like his employer he could change for another, and he always had the option of working for himself if what he was offered for his services was not satisfactory. But the rapid monopolization of the opportunities to self-employment, added to the enormous accumulation of capital in few hands, and the industrial change from many small factories to a few large ones compared to the increase in the number of consumers, has narrowed the field of employment in so far as ease in changing an employer is concerned, and has made a strike or a lockout a much graver problem than heretofore. Thus instead of any such industrial disturbance being a question to be settled between employers and workers, it now deranges all kinds of business, and rises to the dignity of a national problem.

Detroit has for some time had a "voluntary" board of arbitration for street car cases. The men do not like the system, and the company abhors it, yet every year a new contract is entered into by the two parties, in the absence of something better—or worse, according as one is an officer in, or an employe of, the corporation involved. Think of an arbitration board so managed that the superintendent of the street railway will not accept an arbitrator that is not pledged by association or environment to give a decision against the men! What kind of an arbitration board is it, the members of which are appointed to lucrative positions after deciding in favor of the company?

It would seem that if there was any excuse at all for the public interference in a dispute between employers and employes, it would arise in the case of such a quasi-public business as that of carrying street car passengers. Public property—the streets—is utilized for the business, and rapid transit at reasonable rates

has become a public necessity—as much so as water or lights. So it is suggested that if the people of this country want to absorb the function of compulsory arbitration, they commence with the street car business, and as time brings experience extend it to other branches of industrial activity.

Compulsory arbitration is to be avoided as between free agents, though it might be better than no arbitration at all. It can never be satisfactory. The forcing of a decision by law has in it much that does not agree with the feelings of either party. It is interference with individual liberty, besides being one sided, in that the employer, because he has property, is placed at a disadvantage compared to the workman, who, when a decision goes against him, can leave.

The organized employer and the organized wage-worker can, through proper committees, so arrange matters that a strike need never occur. The decisions arrived at in case of disputes will probably never be entirely satisfactory, yet they will be heavenly compared to the result of an industrial conflict in which both sides are thoroughly organized. A trade union may collapse in the midst of a strike and go to pieces; but the individual units survive, and necessity forces them to again organize, with a greater probability of living because of the experience gained by the former defeat. There are times when the methods and demands of trades unions are neither lawful nor justifiable. But cannot the same objection be brought against the methods of some employers? It is foolish to limit the amount of work a man may do, thus placing the ambitious and the enterprising at a disadvantage; but is it not wrong to make the limit of wages the cost of living? And is not this done when the price of piece work is reduced whenever it is seen that a workman can make a little above the average?

While the laborer will not and cannot work for less than will supply him the necessaries of life, the employer cannot pay more than will enable him suc-

cessfully to compete for a market. The limitations of the employer in regard to the wages he may pay are just as rigid as are the limitations of the laborer as to the pay he must receive. There are in all establishments many necessary expenses that employes know nothing about. The cost of all goods, under free competition, tends to the cost of production, and when an employer generously pays in wages above the market price for that kind of labor, he is doing it out of his own share of the joint product, or if it is a stock company, out of the interest on the capital employed. Where the business is a monopoly, and the profits abnormal, or where the employer is able to pay above the market rate, he is compelled neither by custom nor necessity to divide with his workmen. So long as he pays the average of other businesses his workmen have no further claims upon him, under the present system of compensating labor.

It is such facts, and many others equally vital to a clear comprehension of a labor dispute, that arbitration boards have to deal with. As Karl Marx and other political economists have noted, after the goods are made there step in other parties with whom the manufacturer must divide: the loaner of capital and the owner of the soil. Interest and rents must be provided for, and by the time the manufacturer has settled for the cost of selling the goods, which is really a part of production, and the insurance, and the expense of bookkeeping, there is little left that goes to the account of surplus value. The fact that the great majority of manufacturing industries fail of success is evidence that wages cannot be arbitrarily raised. There is plenty of further evidence that neither party alone knows all the facts as to the situation, and that consultation cannot but clear the atmosphere and tend to a better understanding of the rights and duties of all mutually engaged in the production and distribution of wealth.

There is always a happy medium between extremes,

and the positions assumed by some trades unions and by some employers are no exception. Right was never yet entirely on one side of the industrial question, and even the wages system, much as it is decried, can be made to mete exact justice to both parties to the contract. Arbitration cannot but help to throw light on the vexed problem of the equitable distribution of the wealth created by the union of labor and capital applied to land, and while it is impossible for labor long to take more for its share than it has created, it is also true that wages may be raised until that intangible article called "profits," and which represents no labor performed by anyone, has been absorbed by the worker in the form of wages. Here and there a corporation can be found which is paying for labor more than it can afford to, and a reduction in wages seems a necessity in order that the business may exist, but so long as the average revenue of all engaged in that particular line exceeds the expenses, it cannot be truthfully said that labor is demanding more than it earns. At any rate that employer and that wage-worker alone is wise who is willing to put his case in the hands of an intelligent and impartial board of arbitration.

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## FREEDOM.

If men have like claims to that freedom which is needful for the exercise of their faculties, then must the freedom of each be bounded by the similar freedom of all. When in the pursuit of their respective ends two individuals clash, the movements of the one remain free only in so far as they do not interfere with the like movements of the other. * * * Every man may claim the fullest liberty to exercise his faculties compatible with the possession of like liberty by every other man.—*Herbert Spencer in "Social Statics."*