National Plan... Productivity (1947)

MANAGEMENT-LABOR COOPERATION IN CUTTING COSTS

A Statement by the
Labor Committee on National Policy
of the
National Planning Association

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Our economic efficiency as a nation depends basically upon our productivity. Our national productivity is particularly important at this time because the economy is entering a period of critical readjustment of prices and costs. Fortunately for sound policy, virtually all serious discussions of costs have been in terms of productivity rather than in terms of wages.

All parties to production and distribution--labor as greatly as any--have a stake in rising productivity. For rising productivity is the principal source of our economic progress and increasing wellbeing. Workers increasingly realize that high wages are made possible and continuation of their rising trend can be insured only by the high and increasing productive efficiency of our economy; businessmen increasingly realize that the answer to shrinking profits lies not in wage cutting, but in the increase of productivity.

Productivity is simply the measure of how efficiently we Americans are combining our labor, our equipment, and all our other resources in the business of production and distribution. Not only improved personal efficiency of workers, but better management, better relations between labor and management, better machines, new products and new industries, better organization and methods, better information and broader research, better transportation and communication, and many other factors contribute to the increase of productivity.

At the very heart of the matter, moreover, as our wartime experience demonstrated, lie human attitudes. Machines have a standard efficiency, but the efficiency of the human beings, whether managers or workmen, using those machines and developing new ones, is powerfully affected by the goal they have before them. We must seek to make the peacetime goals of our economy as real, as important, as morally compelling as were its wartime goals.

For many years the American economy has forged steadily ahead in productivity at a pace outstripping that achieved anywhere else on earth. Over the past fifty years this progress has averaged, in manufacturing, about three percent a year. During the war this rise was obscured by many factors which seriously affected the statistical measurements. There is recent evidence, however, that a strong upturn in productivity is now under way, one which may well equal or even exceed the striking increase which followed the first war. It is not too well known that, starting in 1920, the second year after the end of hostilities, productivity in manufacturing increased ten percent a year for three successive years.

Our concern today must be to reinforce the current rise and to carry it forward. Government can provide effective aid through policies that head off depression and give business and labor freedom from fear of bankruptcy and unemployment--freedom therefore from constraint to protect markets and jobs by restrictive practices. Labor can make effective contributions--as our experience in the war demonstrated--if the setting is provided and management genuinely seeks labor's participation. But it is management that must lead the way in achieving increased productivity. This is indeed management's job; questions of efficiency lie at the very core of managing a business.

Even though the initiative lies with management, labor's contribution to increased efficiency can be extremely significant. But unless labor's cooperation is actively enlisted, maximum progress cannot be hoped for. Let management set the stage, explain the goals, and join with labor to agree on rules that are fair, and the way will be open for management to receive powerful labor support and follow-through.

The ending of hostilities ushered in a period during which attention was focused primarily on the problems of reconverting our resources to peacetime production. With reconversion now behind us, both management and labor can serve the general welfare and their own best interests by considering how to go about applying the lessons of war production to the problem of increasing our peacetime productivity.

Wherever unions find it possible to take the initiative in making operations more productive--and where past experience indicates that management will welcome such initiative--we urge that they do so. As indicated, however, we are convinced that the first step must in general come from management.

We urge managements everywhere in American industry to invite the unions they deal with to sit down with them and explore how to eliminate inefficiency in production and distribution. We are confident that such invitations, issued in good faith, will evoke a surprisingly satisfactory response from the unions. Our confidence, we may add, is not based on theory, but is rooted in concrete examples of successful teamwork between management and unions.

There are, as everyone knows, many types of restrictions on production. Some of these have been highlighted by official inquiries. Others, particularly those on the part of labor, have become bywords by reason of widespread publicity given them. It is easy for pot and kettle to call each other black. Management and labor must, however, work together to remove the soot wherever it may be found.

We have called for teamwork between management and labor in improving operations generally. We especially stress the need for such teamwork in overcoming restrictive practices. Teamwork is needed because the restrictive practices of management and of labor so frequently go in pairs. In some cases, the insecurity of markets has led management to restrict output and this in turn has forced workers to adopt restrictions designed to protect their jobs. In other cases workers may have been prompter than management to recognize the threat of insecurity and management's practices may have followed rather than preceded labor's.

We stress insecurity of markets and jobs because we are convinced that this is the root cause of restrictive practices. It follows that, to the extent this insecurity is the result of the swings of the business cycle, a complete solution must include effective policies, public as well as private, to insure a sustained high level of production and employment.

The methods which management and labor should follow in cooperating to raise productivity will of course vary from industry to industry and from plant to plant. We should draw on the large body of experience which has developed over the years, before as well as during the war. How far, for example, the labor-management production committees of the war period should be reestablished, and with what modifications, must be determined individually. The same holds for the reinstitution of the training programs, which also were so unfortunately abandoned when hostilities ended. Training can always increase productivity, but today, when happily there is no supply of idle manpower to draw upon to expand total output, it is of especial importance.

There are, however, three general principles that must be recognized in any campaign for increased productivity:

(1) The first of these is that workers must have assurance that the cards are not being stacked against them. They must have no ground to feel that the cost accounts are being loaded with dubious items. Suspicion on this score--no matter how petty the questioned items may be in dollar terms--must be avoided. Many of the practices with which labor is charged are also petty; and, without regard to the importance of either, workers are prone to regard the one as justifying the other.

(2) The second principle is that the passing on of the benefits of increased productivity must be equitable and reasonably clear and certain. As we have said, productivity grows from many sources and neither management nor labor nor stockholders nor the consuming public has an exclusive claim to its benefits. Workers want higher productivity to mean higher wages and lower prices. They want management and stockholders to get their fair shares, too. But they are not interested in stepping up productivity if the entire benefits that result are to go to increase profits which may already be ample. This should be elementary common sense, but it is all too frequently ignored in discussions of industrial efficiency.

(3) Finally, if our national productivity is to benefit to the maximum, any program to increase it must be put in terms that carry a basic appeal to every participant in production. Pecuniary incentives have their place, but they do not and--as men live not by bread alone--they cannot evoke our deepest and fullest, indeed our happiest, efforts. The efforts that we put forth in war were not the desperate efforts of a frightened people. They were the determined efforts of a people who were united by a common vision. That is what we must have in time of peace as well, if we are to demonstrate our full strength, our full capacity for growth.

The United States stands today a giant among the nations of the earth. We are strong and we have the responsibilities that the strong cannot escape. Our national strength lies in our national productivity. If we are to remain strong and if we are to share our strength in binding up the wounds of the rest of the world, and helping it to regain a sound foundation for peace and prosperity, we must not neglect that source. This is a challenge that must not go unanswered. We know it is in the American people--American labor, American management, and American agriculture--to answer it as ringingly and as decisively as they answered the challenge of war. We found our answer then in the teamwork of production and it is in the teamwork of production that we must find it today.

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