

The Adjustment of Wages

Adjustment of changes—Private and public methods—Society a party to Wage-Bargains

By J. W. MACMILLAN.

Wages are determined by the cost of living. Other elements may enter the equation, derived from the profitableness of the industry, the goodwill of the management, the superior speed or skill of the worker, and such like. But on the whole wages conform to the cost of living.

Of course, the cost of living is itself affected by the accepted standard of living. The iron law of wages is gilded by the resolution of the worker to enjoy certain comforts, and the support that his resolution receives from public opinion. Wages, nowadays, accomplish something more than barely to maintain the worker on the poverty line and allow him to replace himself with a descendant worker. It is only among the most casual and unskilled classes of labor that a wage can be enforced which neighbors with the ragged edge of destitution.

The cost of living is an elastic thing. It is always running up and down, sometimes with extraordinary speed. Wage agreements lag behind it, and are often breathless with the effort to keep up. The sufferings of the workers, and the poignancy of labor disputes arise from the awkwardness of adjusting wages and costs of living. To attempt to fit wages to the cost of living by leaving the adjustment to the will of the employer, or to a periodical trade agreement, is like trying to catch a jack-rabbit with a motor car. The car may be as swift as the rabbit, but it lacks the acrobatic quality necessary.

Wages commonly lag behind prices. If money is inflated, or credit increased, or goods become scarce, wages suffer. On the other hand, when prices fall wages do not fall so quickly. Then follows lack of profits, cutting down of working forces, and unemployment. Some device for the frequent and continual adjustment of basic or minimum wages to prices is much needed.

Such a device needs to be self-convincing. Any cut in wages is resented by employees. They suspect the employer of taking advantage of them to their hurt. And, similarly, any increase he may offer when costs are rising rapidly is apt to be thought too little. Any action of his, which is not validated by a reason which the worker can see the force of, is regarded as arbitrary and provokes discontent. What is wanted is something automatic and palpably rational, which both parties can readily understand and adopt.

A number of efforts of this kind have been made during the war period, when prices mounted with such rapidity. Professor Irving Fisher contributes an article to the Labor Review of the U. S. Department of Labor in which he tells of a number of more or less satisfactory endeavors to make the two conform.

Most of these experiments were by rule of thumb. The employer or manager added a percentage to wages or attached an emergency bonus to the pay cheque, often as a Christmas present. The amounts naturally varied, and had no exact or convincing relation to the increased expenditures of the workers. The significant thing was the ground upon which this addition to wages was based. It was not a premium on efficiency, but a gift to meet the conditions of life.

The most careful and sustained attempt to make the adjustment after a scientific fashion was by the Banker's Trust Co. of New York City. They appointed a special committee of employees to investigate increased living costs. This committee reported in 1916 that the cost of living had gone up 21 per cent. from what it had been the previous year. They used Bradstreet's figures, omitting certain articles, such as metals, which do not enter into an employee's budget. The Company accepted this estimate and applied it to that portion of an employee's income which is, on the average, expended

on the necessities of life. The results were that salaries between \$500 and \$1,200 were increased by 21 per cent. on 80 per cent. of these salaries; salaries between \$1,200 and \$1,500 were increased on 77 per cent. and salaries between \$1,500 and \$2,500 on 70 per cent. Those receiving over \$2,500 received a flat increase of \$365 per year.

The next year this Company found that a new and further increase was required. It was discovered that living costs would not "stay put," and that a periodical review of wages must be made if the principle adopted in the preceding year was to be kept in operation. A new estimate was made, which declared that the cost of living as to food and clothing has risen over 80 per cent. since 1915. Rent had advanced 10 per cent. The net result was that the increases were applied to 60 per cent. of the salary in each case. Thus a clerk who had been receiving \$1,000 in 1916 was raised to \$1,178.87.

This committee reported again in 1918, introducing a new element into the calculation. It now recommended that the percentage of increased pay should be reduced on the ground that the employees should bear some part, even though a small part, of the increase in living costs. The report reads, "The committee questions of the Banker's Trust Co., which cannot in these times be assured of profits commensurate with the decrease in the purchasing power of money, should, in equity, continue a policy which, for the duration of the war, would relieve its employees in every instance entirely from the common duty of retrenchment and reduced use of essentials, which should now be a common and willing sacrifice by all."

The Oneida Community began on January 1st, 1917, a system of compensation for the high cost of living by means of Bradstreet's index number for wholesale prices. Two weekly pay envelopes were used—one containing the regular wages and the other containing a certain percentage thereof calculated from Bradstreet's number. It began with 16 per cent. for the first month. On each succeeding month one per cent. advance or decline was applied for each 20 points change in Bradstreet's number. The net result was about the same increase as in the Banker's Trust Co. An incidental advantage was that the separate envelope proved a great inducement to saving.

A large clothing company in Cleveland introduced a similar plan through its employees' organization. This comprises a house of representatives, a senate and a cabinet. Their recommendations were immediately adopted by the management. A separate envelope was again used, but the extra payments were monthly. Since then this company has arranged for

a half-yearly wage adjustment through its wage committee.

Some of the flour mills in Washington State raised the wages of their employees in accordance with the calculations of Professor Ogburn of the University of Washington.

But the chief instance of the use of the index number in settling wage troubles was by the National War Labor Board. It has prevented strikes and made specific wage increases on this basis. So far these adjustments have been done in an unsystematic manner, as the occasion arose. But the Board is now considering the introduction of quarterly index number adjustments.

The Shipbuilding Labor Adjustment Board has proceeded after the same fashion. It has adopted the policy of making half yearly wage changes, based on the determinations of the United States Bureau of Labor Statistics.

Every statistician will tell you that we do not yet possess any exact index number for the general cost of living. But the approximation is well worth while. As long as our dollar is so unstable in its purchasing power anything which tends to make the "money wages" conform to "real wages" is to be approved.

There is promise for the future in these experiments. The wage bargain is the crux of all labor troubles. Too often the bargainers sit across the table from each other with no definite material spread between them. One side is bent on giving as little as possible. The other side is bent on getting as much as possible. Neither side thinks of adopting any other attitude than that of the advocate. The result is that the discussion becomes more and more of a controversy. It is desirable that some principle should be introduced into such meetings which will make them less combative and more deliberative. Such a principle is that of the minimum wage based on the cost of wholesome living. All decent men, whether employers or employees, will agree to that. Then, having admitted and adopted that attitude, it becomes possible for the meeting to become something of a court. Its members have gone up from the bar of the solicitor to the bench of the judge. They have now facts to consider and there is less room for debate. The attorney has been replaced by the investigator. Agreement becomes more easily possible.

President Wilson said on one occasion, "There is no longer any private business." The third party to every wage-bargain is society, who is very directly concerned, both in the continuance of the industry as a profit-making enterprise, and in the maintenance of the workers in health, intelligence and self-respect. The tendency of our times is for the state to sit in at wage-bargaining assemblies. Not so long since the state left it all to master and worker, as being their private affair. Then the state began to assert its authority and offer its meditation when these two parties failed to agree. So it attempted to cure labor ailments. The time seems to have come when the state will attempt to prevent rather than cure these ailments. It will help master and worker to agree before they have had time to quarrel. Doubtless we are in the beginning of a new era of wage-adjustments.

THE FIXED WHEAT PRICE IN THE U. S. AND IN CANADA.

The reason why the U. S. Government fixed in September last the price of wheat to be harvested this year was solely because it wanted to encourage a large crop of winter wheat and prompt action had to be taken to insure the seeding. In Canada no such condition existed, since the proportion of winter wheat in Canada is small and the price of the 1919 crop could be safely left until after the year came in. Now, however, the Western Canadian farmers are demanding the fixing of a Government price, presumably on a substantial parity with the American price for 1919, as it was and is, for the crop of 1918.

Protest is made against such action of the Dominion Government by people and newspapers, who insist that there is no sufficient reason why such a

burden should be placed on consumers when war is over and no great emergency exists. The sole reason alleged why the price should be fixed is that farmers responded to the call for enlarged acreage in 1918, and that the U. S. Government has already fixed the price on the 1919 crop. Nothing is said, however, of the necessity of the U. S. Government acting early if the acreage of winter wheat was to be increased. If the Dominion Government fixes the price regardless of the consumers, Canada will have a proportionately larger burden to bear than the United States, because her per capita production of wheat is three times as large. And if a Dominion price is not fixed, our Government will have a still larger bill to pay, in the difference between the market price of wheat and the guaranteed price, for we assume Canadian wheat will not be barred from our markets. It is not a pleasant situation.—American Miller.