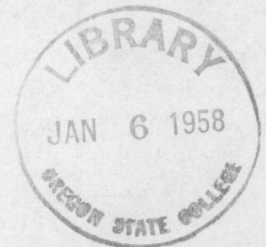


Senior Thesis

WAGE AND LABOR PROBLEMS OF NORTHWEST LUMBER INDUSTRY



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*Well organized
and presented.
Profr. H.
R.M.P.*

Submitted by

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WAGE AND LABOR PROBLEMS OF NORTHWEST LUMBER INDUSTRY

INTRODUCTION

Since the world war, the lumber industry of the Pacific Northwest has been in a constant state of difficulty. Contrary to common belief, the lumber operator has not been the only one to suffer. Here in the Northwest where \$65 out of every dollar brought in from outside has come from lumber, one can at a glance obtain a picture of the importance of the industry. Normally 125,000 men are employed in the industry, and assuming an average of three people dependent on each wage earner, one can say that 375,000 people are directly dependent on the industry with thousands indirectly dependent upon the industry for their livelihood.

Particularly since 1926, many problems of wages, unemployment, and labor generally, have arisen and are now so acute as to demand immediate attention. With these facts in mind, it has been my aim to show as clearly as possible the significance of these problems, the present labor conditions, employer's problems in attempting to mitigate these evils, and the affect of general economic conditions on the lumber industry. Many conclusions are to be drawn from industry generally with an attempt to insert lumber as a part of an entire scheme.

No definite solution to the present problems is undertaken, but some of the plans, at present widely discussed, for alleviation of existing conditions are given from which the reader can draw his own conclusions. It will be noted, however, that these solutions are applicable to industry generally and not only to lumbering.

DEFINITION OF TERMS

With the scope of this paper explained, I shall define the main terms upon which the paper is based: labor problem, unemployment, wages, cost of living.

Labor Problems.--- "A labor problem is a serious maladjustment of our social order, which may be created by unemployment, low wages, hazardous conditions of employment, exhausting hours, and unpalatable conditions of life brought to bear on the worker as a consequence of his position as a wage earner." The conditions creating a labor problem are contrary to the desires and policies of a large mass of the members of society and are in conflict with certain economic structure; viz - the home is affected, family life is affected, purchasing power is affected, and a mistrust in society and its government is created in people long enduring these hardships.

Unemployment.--- "Unemployment is defined as involuntary idleness on the part of a workman who is able to work. It is a condition not created by the worker nor controllable by him; and it appears from the worker's viewpoint to result at the desire of the employer." Unemployment must be ranked first in importance among the problems which confront the industrial worker today, particularly is this true of the lumber worker of the Northwest, and it is true whether we measure the seriousness by numbers, economic and psychological consequences, or the losses these problems inflict on society as a whole.

Wages.--- "Wages are the share in distribution given to the worker." Wages create a problem because of the marginal productivity idea; i.e. the economic forces of a competitive and non-reg-

ulated industrial order such as ours tend to give each worker a money wage equal to the value of his contribution to the product of the industry, the amount of this contribution being equal to the productivity of the marginal man in his group irregardless of his living costs. The employer will hire only on terms that are remunerative to himself, figuring in terms of the worker's contribution to the value of his product. It is obvious that the value of labor will vary inversely as the supply.

Wages in good times, such as war periods or periods of extreme prosperity, will tend to correspond to the standard of living of the worker, but over a long period, follow the previously stated law, and are quite apart from either standard of living or cost of living of the worker.

Cost of Living.--- "The cost of living does not mean bare subsistence. It includes some of the better things of life." If translated in figures the United States Bureau of Labor tells us it is \$1700 per year for a man and three dependents.

REASONS FOR CONSIDERATION OF PROBLEMS

IN THE NORTHWEST

There are four main reasons why the wage and labor problems of the Northwest lumber industry should be considered; viz -

1. How the individual workers are affected
2. How the localities are affected
3. How society as a whole is affected
4. How the workers of this regional unit fit into the entire national scheme of economic and social life.

1. Since there are normally 125,000 workers in the Northwest lumber industry, it is obvious that low wages, unemployment and other conditions have direct influence upon at least these workmen and their dependents. At present many communities in the Northwest offer studies of people trying to eke out a bare existence from one year to another. The suspense and fear under which people have labored for the past several years has decidedly lowered the morale and spirit of hopefulness once common among these workers. It has been totally impossible for worksmen to save any amount whatever for cloudy days ahead, because every cent received for labor has been necessary for existence. Therefore, it is my opinion that harsh criticisms of lumber labor have been wholly uncalled for and unfair, coming as they do from more favored classes, classes in most cases not at all familiar with the lumber worker's problems.

2. The communities in which these workers are located are largely built up around the capacity of this group to consume and produce. If these workers are unable to produce they are likewise not in a position to consume and the entire community suffers.

3. That society as a whole is affected under existing conditions is apparent. The people affected become restless, distrustful of society and government, transient, and morbid. Such frame of mind is not conducive to good society. Further, the direct influence upon community health and general happiness of its members is surely to be noticed in the future. Also, educational needs can not be met in any idle community.

4. Centering, as I have, attention on one particular industry, does not in any way detract from the importance that lumber has in

our national economic and social life. In attempting to show some problems of the lumber industry, it should be not at all difficult to imagine that quite parallel conditions exist in most industries. For this reason, *it* should be kept in mind that no definite solution can be solved for any one industry; it must be solved for all.

CONDITIONS OF NORTHWEST LUMBER LABOR

Labor of the Northwest has undoubtedly been favored by about the cheapest living conditions found in the entire United States. The cost of living is considerably below that prevailing in the Eastern states, and is even lower than that prevailing in California. This is indeed a distinct advantage of labor in this region, but changes of recent months have more than offset this advantage.

The lumber industry has always been a low wage industry, but that fact has been made even worse since 1926 by the periodic and seasonal variations in employment. Wage scales have been reduced from \$3.40 to \$2.60 per day for common labor within the past year, and the number of employed has declined until at present only 30,000 of the normal of 125,000 workers are on the payroll.

Even this fact does not explain the condition. ^{Of} this 30,000 most are only working part time, and many concerns are paying as low as \$1.60 per day for three days work per week. This sum is far from the \$1700 estimated as necessary by the United States Bureau of Labor Statistics to meet the cost of life. Such a condition demands relief from ^{the} social and economic system. These workers, one might say, are the victims of circumstance.

Industrialists in all lines have repeatedly made statements

that our chief concern today is the payroll. George M. Graham, head of the Rockne Motors, has said, "What this country needs is employment, wages. These are the only factors that can bring permanent recovery." And William Green, President of the American Federation of Labor, recently said, "To take 8,000,000 men out of their normal economic function of producing and consuming means catastrophe for our business life. The wage loss of all wage-earners this year has taken more money out of normal trade channels than the losses from all bank failures, plus the losses from all business failures, plus the loss that would result if our entire export trade were destroyed." He estimates that \$11,000,000,000 were taken out of trade channels last year by losses in employment of wage-earners.

CAUSES OF PRESENT CONDITIONS

Conditions creating the serious problem in the Northwest lumber industry are many. Some are the results of general economic forces; for example, overproduction; and others, the result of changing tastes of consumers; others of stifling regulations. A few of the main causes of present conditions are next to be considered, because conditions affecting the industry create problems of labor.

1. Overproduction,--- or under-consumption may be said to be one of the causes of the present depression which has affected industry generally and lumber particularly.

2. Employers have attempted to take up the slack in operating costs at the expense of the wage-earner. This is a statement of fact in many cases, but not in every instance. Lumbermen have

sliced wages in the hope that competition could be met and more lumber sold. However, no more lumber has been sold because the prices has been cut in half. The operators have not made money to be sure, and many of the workmen would earn more on part time relief jobs. Furthermore, lumber prices now are about one-half what they were a year ago; so it is quite obvious that the taking up of slack does not always gain the end desired.

3. The lumbermen have been in the buyer's market since the World War and of consequence, have little to say over the prices they get for their products. Most industries were not in the so-called buyer's market until about 1923. This position leads to instability.

4. Another factor is that the mechanization of industry has greatly added to the productivity of labor. Most industries have increased the productivity per worker by large amounts. Of lumber, this is not true, but at the same time overproduction has been present. The United States Bureau of Labor Statistics report productivity of labor in lumber products industries in 1923 as 106, as compared with 100 in 1914; and as compared with cement, 1578; iron and steel 149.3; brick and tile, 114; and automobile manufacture 256.

5. Cutthroat competition has been the greatest evil in lumber for years, and recently has become a more acute problem. This competition has been between mills, between regions and between other materials for decreasing markets. Further, the per capita consumption of lumber has been on the steady decline for 25 years. This factor has probably affected competition in the first two classes, but competition of the third type has been instrumental largely

for the decreased consumption of lumber. Compton estimates that nearly all competition of the lumber industry has come from substitutes and that 90 % of the decreased markets have gone to these materials. Then too, lumber production and shipments have not followed seasonal trends as have substitutes.

6. Competition, as mentioned previously, can not at present be controlled from within the industry as the Sherman Anti-Trust Laws prohibit any price-fixing or restraint of trade.

7. Carrying timber far in excess of present requirements has been and still is one of the major problems of lumber operators. High interest charges on bonds covering these holdings, together with taxes over long periods, have put the industry in a constant state of liquidation and instability. It has been said that the only people who have made money in the lumber industry are those who were fortunate in timber speculation.

8. Rapid deterioration of plant and equipment in periods of idleness has caused concerns to operate almost continuously that they could realize a return before the plant and equipment were worn out. The very nature of most equipment and structures used in the Northwest lumber industry has demanded that this be done, for nothing has been of a permanent nature.

9. Overcapitalization is probably one of the biggest reasons why lumber markets have been glutted and prices forced down. This is true not only of lumber, but of industry generally in the United States. Operators feel that they must have a reasonable return, and in the past when investing have not been too careful in

starting operations. It has been estimated that the lumber industry of the Northwest has been overcapitalized from 50-100%.

PROBABLE FUTURE CONDITIONS

With such conditions prevailing one asks, "What can be expected in the future?" This is a question of such magnitude that the leaders of the nation seem confounded or unwilling to attempt any extreme move. Steps have been taken to alleviate financial distress of large industries, but nothing has been done directly for labor. It must be admitted that if industry is benefited, labor will be benefited, but the response will be slow, because of lack of purchasing power now present.

Unless some plan is evolved that will protect workmen in idleness, or insure steadier employment, we may figure on more difficult times ahead. It has often been said that we would flounder out of this period of depression into prosperity and into another period of depression of greater scale than the present.

PROBABLE MEANS OF ALLEVIATING DISTRESS

NOW AND IN THE FUTURE.

I shall here in conclusion, mention three issues that have often been raised whenever discussion has been brought about for solution of present and future problems affecting labor:

1. Repeal of Sherman Anti-Trust Laws
2. Unemployment insurance
3. National planning.

1. Repeal of Sherman AntiTrust Laws.--- These laws have prevented price fixing and control of production by industries. This idea of law came about shortly after the Civil War and was carried

on until 1890 when the above law was created. It was thought at that time that competition was the spice of trade, irregardless of the economic waste included therein. The reason for this law was perhaps first started by the idea of free and unlimited competition for railroads to benefit the public, and to prevent monopoly. Thus it is clear that, when viewed from the present age, this idea is not at all modern. It is now very apparent that the pendulum has swung the opposite direction from 1890, until at present much of the instability of American industry can be attributed to this law. Were it lawful to guage and apportion production, lumber would be better off than at present.

2. Unemployment Insurance.--- Unemployment insurance has come to be known as the "Dole", and is used as a term of pity and is considered as some kind of cancer by the vast majority of Americans. Most people do not at all understand the principles of the scheme of unemployment insurance.

We have emerged from each succeeding depression a nation of blundering optimists, refusing to recognize the unemployment in our present social order as a permanent problem. Critical as we may be of the systems now in use in Europe, they have at least recognized this problem, and have dealt with it in some manner or other in all countries. Thus we must recognize this problem as permanent, it is a tragedy that 8,000,000 are now unemployed. But - who is to blame? Certainly not the worker.

Are we to continue with our hodgepodge of Community Chests and private relief agencies, the whole of which is helped out by municipal, state, and federal taxation? Under such a system, we

have the "Dole" if one speaks of governmental contributions, but labor does not receive its full benefit, and the laborer is made to feel that he is an unnecessary element in society, begging as it were for existence.

A study of this situation made by the Department of Labor in 1930 shows that 72% of the entire relief burden - not all unemployment - was met by public funds. Some cities were as high as 98%. Is not the taxation for relief the masqueraded "Dole?" It is clear then that there is little difference between our system and the British system as far as the taxpayer is concerned. If conditions in America had been bad as long as they have in England, the taxpayer here would be wailing as he is now doing in England.

"In any form of society, if that system is to endure, labor is entitled to work in order to support itself. If no work exists, labor is nevertheless entitled to the reward for work: money. And sufficient of it to support the bare essentials of existence. Moreover, labor is entitled to it not as charity but as a right, as something that is due and owing." This thought is as summed up by Edward Block in a recent issue of Forum. One might say that the price in money exacted is the price of our social system. England and Germany would probably have seen revolution a long time ago were it not for the unemployment insurance.

That the British plan, and the German plan are not perfect is admitted, but let us consider for a moment the British plan. In 1912, the Unemployment Insurance Act came into effect, and before, during, and shortly after, the war was effective. The fund was contributed to in ratios of about 1/3 for employer, employee,

and national exchequer. Payments to unemployed went only to those insured. In November 1920, the reserve - the normal ratio between employed and unemployed insured having been established - was \$110,000,000. At that time, the ante was increased and the benefits increased still more. Then in 1921, the Transitional Benefits Act was passed allowing the Minister of Labor to give benefits to anyone, insured or uninsured. That was the great beginning blunder, followed in 1924 by an act allowing these benefits to all unemployed, with no strings to them at all. Since that time, the cost to the government - the price - has been \$400,000,000.

In this country, to date, the Swope Plan based on the German plan has more supporters than any other, and in a modified form has been used by General Electric Company. To date however, we have no plan or attempted plan - just let things go. It has been a question as to whether any plan should be by industries, by regions, or national with governmental support. Whatever is done, we can at least remember that little Denmark has more insured workmen than has the United States.

3. National Planning.--- The third solution given is some type of national planning that would control and coordinate productive effort, that would eliminate waste of types in industry. Such a plan would affect labor and it would get its just rewards. Waste would be put to use and money would not be spent in industries already too vast in extent.

CONCLUSION

With conditions as grave as they are, it is evident that a solution must be worked out that will benefit all calsses of society; but as with industry so it is with classes of people. One class can not be helped along, all must be helped. Consumptive power is necessary and should be parallel and equal to producing power. Without such a condition of balance, our society will never be stable. It is for this reason that the above proposals have been made.

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