THE PRODUCTIVITY FACTOR IN WAGE ADJUSTMENTS

1. INCREASES IN LABOR PRODUCTIVITY


The author warns that the difficulties in accurate measurement of productivity changes are often slighted. Problems such as quality changes and technical points as to weight-base and formula are not always considered sufficiently. Special care must be taken in forecasting productivity changes.


Deals with the problems of projecting national productivity over the long run (i.e. several decades). Although his present trend calculations stop with 1941, he does include real private product per man-hour statistics through 1950.


This bulletin contains productivity statistics for 20 industries for the years 1939-1950. It gives some indications of productivity trends. However, since a number of significant industries are omitted, generalizations about the overall economy should not be contemplated from these data.

2. THE ANNUAL IMPROVEMENT FACTOR

Backman, Jules. The economics of automatic productivity wage or annual improvement factors; statement before the Wage Stabilization Board in the matter of United Steelworkers of America and various

- Items from this list should be ordered directly from the publisher. Addresses are given in connection with each reference.
steel and iron ore companies. New York 1. Steel Companies in the
The author presents here an extensive and detailed brief why the steel
firms should not incorporate an annual improvement factor in their
1952 contracts. Among the arguments he presents are that future gains
in productivity are not assured, that productivity increases are erratic
in the short run, and that other important wage criteria are neglected.

*Fortune* (Time & Life Bldg., Rockefeller Center, New York 20), July,

Discusses the value of the General Motors-UAW five-year contract as
a guide for industrial peace. The article emphasizes the significance of
the "union's unequivocal acceptance of the principle that advances in
real wages are to be gained only through advances in productivity." *Fortune*
thinks it important that at least one of the big unions recognize
that progress comes only through producing more.

Ross, Arthur M. "The General Motors wage agreement of 1948." *Re-
view of Economics and Statistics* (322 Littauer Center, Cambridge

After pointing out that the annual improvement factor calls for symp-
pathetic consideration as a rational and objective basis for wage de-
termination, the author raises important questions concerning other
factors affecting the wage structure, the uneven increases in national
productivity from year to year, and the effect of the automatic wage
adjustments on industrial relations.

3. WAGES AND PRODUCTIVITY

American Management Association. Personnel Series No. 122. *Rela-
tion of wages to productivity*. New York 18 (330 W. 42nd St.).

In this panel discussion by an economist and two representatives of
both management and labor, varying points of view on productivity are
presented. Professor Wolman feels that wage increases have far out-
stripped productivity while the management speakers either see no
connection between the two factors or see no successful method of
measuring and dividing these increases. The labor discussants stress
the need of raising living standards by sharing productivity gains.

———Production Series No. 169. *Production policies for increased
3-9. 75 cents.

In this discussion written before the advent of the annual improve-
ment factor, this business economist points out the compelling need
for productivity gains to be shared with labor. In a free economy such
as ours he believes that this can be handled by collective bargaining.

Davis, John C. "Productivity trends and some economic implications."
*Industrial productivity*. Publication No. 7. Madison 5, Wis. Indus-

After discussing productivity problems both for manufacturing and for agriculture, the author cites the following areas for further work: (1) the need for better data, (2) the development of a more precise knowledge of the factors that influence productivity, and (3) an extensive examination of the means of sharing productivity gains. On the latter point, although it may be more desirable to share through lower prices, practicality and workability necessitate sharing through increased incomes.


After presenting numerous reasons for a stable price level with increasing money wage rates as productivity increases rather than a declining price level with stable money wages, the authors point out that it would not guarantee economic stability, that at times other factors should determine wage changes, and that practical application of such a policy involves many problems.


In this essay, written before the advent of the annual improvement factor, Dunlop discusses the historical manner in which productivity increases have been shared in the past and in his opinion should be shared in the future. He cites the wide dispersion of past productivity increases made by different industries and feels that this dispersion will continue.

Economic Outlook (Congress of Industrial Organizations, 718 Jackson Place, Washington 6), February, 1952. "How should productivity increases be shared?" pp. 9-16. 15 cents.

Unless productivity gains (i.e. low unit production costs) are shared with the workers, business will get a lion's share of these gains. This is because we are in an administered price economy where it is difficult to pass gains on to the consumer. Stabilization policy then calls for a recognition of workers' right "to share in the benefits of industrial progress" as one facet of a seven-point program based on equality of sacrifice.


A brief, clear economic analysis of the relationship between wages and productivity. Professor Hansen presents the economic reasons for increasing wages in proportion to the average rate of increase in the nation's productivity.


In pointing out the difficulty of tying wage rates to productivity, Kerr, although acknowledging some correlation in the long run, cites the diversity in the year by year changes. He also points out that other factors such as the relation between wages and the cost of living, and collective bargaining relationships make it difficult to show any measurable connection of wages to productivity.


Discuss how collective bargaining can be used to promote productivity rather than hinder it as often has been suggested. The authors also point out a sometimes overlooked fact that union policy towards increased productivity and technological change may differ from the informal attitudes of the individual workers. The case study approach is employed in discussing this problem.

Smith, A. R. "Productivity measurement and wage levels." British Management Review (Management House, 8 Hill St., London W. 1), December, 1951. pp. 21-44. 5 shillings.

This British writer discusses the meaning and measurement of productivity and its relationship to wages. He states that productivity is not the same as the rates of output to labor input. For this reason attempts to use labor productivity as a wage measure are undesirable.


Points out serious conceptual limits to the use of productivity statistics. Primarily they stem from the lack of realization that productivity is a ratio and not an autonomous variable. With care the productivity concept may be useful. However, the author feels that the productivity-wage proposals cannot be supported.


These discussions of productivity and how it should be shared were part of the recent hearings in the steel wage case. Two different interpretations of essentially the same data are given. Both productivity in the economy and in the steel industry are examined from the two viewpoints.