The I. L. O.
and
Reconstruction

Report by the
Acting Director of the International Labour Office
to the
Conference of the International Labour Organisation
New York, October 1941

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CHAPTER I

THE POLITICAL BACKGROUND

Two years ago the International Labour Conference held its 25th Session at Geneva. Every session of the Conference has its own distinguishing characteristic and the 25th Session was no exception. It reflected necessarily the general political situation with all its strains and uncertainties. To the casual observer it may have seemed to do almost the contrary, and to ignore the major preoccupations in all men’s minds. The attendance was large, forty-six delegations comprising no less than 339 delegates and advisers. Work was pursued energetically in eleven committees and a heavy technical agenda disposed of with remarkable success. But to those attentive to the undertones and undercurrents, these superficial signs bore another interpretation. The attendance of so many delegations represented perhaps more a desire for peace, finding its expression in collaboration in a peaceful institution, than an acute and widespread interest in the technical questions on the agenda: the restrained and business-like nature of the discussions implied a deliberate intention to avoid any incautious word or phrase which might by a feather’s weight disturb the precarious political equilibrium: the genuine collaboration of all in seeking agreed solutions was the expression of the hope, faint indeed but not to be openly abandoned, that such international collaboration would make a real contribution to “the psychology of peace”.

There was unanimous approval of the policy laid down by the Governing Body that the International Labour Organisation should maintain its activities to the greatest possible extent “whether we face peace or war”. But here again many of those who gave this policy their full support wondered how far it could be carried out in practice if war should supervene and nations be compelled to devote all their attention and energies to the supreme problem involved in a vast military conflict. That the International Labour Organisation would be of inestimable value at the end of such a struggle was universally admitted, but on the question of its ability to survive through the cataclysm doubts were widespread though unexpressed.
Thus, while the Conference closed with a sense of satisfaction at the accomplishment of its immediate tasks, the shadow of war was never absent from its deliberations and delegates returned to their respective countries haunted by the uncertainties and dangers of an ever-increasing political tension. The tempest which threatened has since broken on the world with a fury beyond anything that the gloomiest forebodings could then contemplate. It has struck with unparalleled rapidity north and west and south and east. It rages on three continents and two oceans; and perhaps it has not yet reached its climax. It has been responsible for material ruin and human misery on a scale without precedent in history. It has shaken civilisation to its foundations and even far beyond the area of immediate horror and destruction its repercussions have been felt in social conditions and in the lives of individuals. Not only new methods, but a whole new conception of war has precipitated the world into a crisis of unprecedented magnitude and character.

It is in this situation that this Report must attempt to survey briefly the present position of the International Labour Organisation and its possibilities of future action. For the Organisation is still in being, and there could be no more impressive manifestation of its vitality than the fact that government, employers' and workers' delegates from Member States are preparing to meet in Conference once more.

With this convincing proof that it has been possible not only to keep the Organisation alive but to maintain what a member of the Governing Body urged should be "a live organisation", it is appropriate that the series of Director's Reports should be resumed and that Member States and their organisations of employers and workers should be furnished with the usual survey on the basis of which to judge of the present position of the Organisation, and to consider its future policy.

During the interval of twenty-eight months which will have elapsed since the last Director's Report was issued before the 1939 Conference, many of those intimately connected with the Organisation and accustomed to follow its work in detail have necessarily been overwhelmed with other preoccupations. The present Report will therefore attempt, in very summary form, to recount what has happened to the Organisation in that interval, against the background of the political, economic and social changes which have since supervened.

The political changes may be indicated in the simplest outline. They are known to all. One after another they have held the horrified attention of the world. Adjectives and metaphors have been
worn threadbare in the attempt fittingly to describe their rapidity and import. It will detract nothing from their tragedy or their importance to give them here in the stark form of little more than a list of names and dates.

1939

On 1 September Germany invaded Poland.
On 3 September Great Britain and France declared war on Germany.
On 17 September Russia invaded Poland.
On 28 September Poland was partitioned.
On 29 November Russia declared war on Finland.

1940

The early months were a period of superficial tranquility. Then
On 9 April Germany invaded Denmark and Norway.
On 10 May Germany invaded the Netherlands, Belgium and Luxemburg.
On 14 May the Netherlands Army capitulated.
On 28 May the Belgian Army capitulated.
On 10 June Italy declared war on France and Great Britain.
On 14 June the Germans entered Paris.
On 24 June an Armistice between France on the one side and Germany and Italy on the other became effective.
On 21 July Estonia, Latvia and Lithuania were absorbed by Russia.
On 11 October the German Army entered Rumania.
On 27 October Italy attacked Greece.

1941

On 1 March the German Army entered Bulgaria.
On 5 April Germany attacked Yugoslavia and Greece.
On 22 June Germany invaded Russia.
In June Finland entered the war against Russia.

Here in its briefest form is an outline of events on the continent of Europe. It is unnecessary for the purposes of the present Report to fill it in in greater detail or to write of the spread of the conflict to Africa and the Near East.

On the European continent, Sweden, Switzerland, Spain, Portugal, and Turkey alone have escaped the tide of war. That tide now rages furiously against the stubborn defences of Russia,
after having overwhelmed successively Poland, Denmark, Norway, the Netherlands, Belgium, Luxemburg, France, Rumania, Bulgaria, Yugoslavia and Greece. Save in unoccupied France, still in control of an important part of the French colonial empire and struggling to preserve a precarious independence under the terms of the armistice, Nazi domination in the ultimate form of military occupation of these countries is complete.

Germany's military successes, however, are yet far from having been politically consolidated. The Governments of Poland, Norway, the Netherlands, Belgium, Luxemburg, Yugoslavia and Greece have taken refuge on friendly soil and, together with the Government of Czechoslovakia and the forces of Free France organised by General de Gaulle, are continuing the struggle with all the means which remain at their disposal. Great Britain's determination to fight to the end did not waver at the darkest hour in her history and has been hardened and deepened by the ordeal through which she has passed. It is a determination shared by Canada, Australia, New Zealand, South Africa, and India. The effort of Britain and her Allies is assured of the aid of the vast economic and financial resources of the United States of America which under the Lend-Lease Act are being mobilised with increasing rapidity and efficiency to meet "an unlimited national emergency" and thrown without stint or hesitation into the balance. Not only has the productive capacity of the greatest industrial country in the world been thus made available to provide Great Britain and her Allies with material aid but there is a stern resolution that that aid shall effectively reach those for whom it is intended.

The possible implications of war between the great powers in Europe became at an early stage a matter of concern to the American Republics as a whole. As early as September 1939 their Ministers of Foreign Affairs met for consultation in Panama under the Inter-American agreements of Buenos Aires and Lima. At that meeting Declarations affirming Continental Solidarity and Neutrality were adopted together with the proclamation of a maritime neutrality zone "as a measure of continental self-protection". A Resolution was also adopted recommending measures to eradicate from the Americas the spread of doctrines that tend to place in jeopardy the common inter-American democratic ideal. A second meeting took place in Havana in July 1940 at which the general policy adopted of continental solidarity and defence was further reinforced, in particular by the Act of Havana, which provides for the provisional administration of European colonies and possessions in the Americas on behalf of the American Republics in the event
of such colonies or possessions being liable to be converted into strategic centres of aggression against the nations of the American continent. A significant feature of these American decisions has been the manner in which a number of the texts adopted emphasise that they are “free from any selfish purpose of isolation but are rather inspired by a deep sense of universal co-operation”.

As this Report is being written, the conflict threatens a further extension. Japanese forces have moved into Indo-China and the problem of the Pacific has become acute. The struggle between Japan and China, begun before the period which this Report covers, now becomes more closely integrated into the general picture. It already had a significance underlined by the specific inclusion of China in the category of countries covered by United States assistance, which indicated the character of the issues which the United States is convinced are at stake. The scale of the conflict dwarfs all previous human experience. Its developments no man can foresee. Wide as is the area of the struggle, the issues are wider still. Its result will determine nothing less than the future of the Spirit of Man.
CHAPTER II

THE ECONOMIC BACKGROUND

In the economic sphere the war has brought far-reaching changes both in the nature and organisation of production within national boundaries and in the trading and financial relations between different countries. The essential continuity of certain of these changes is specially significant. Previous reports to the International Labour Conference described developments in the methods of international trade and in the production of armaments which denoted clearly a condition of "near-war" rather than a state of peace. Hostilities are but one phase of the modern phenomenon of total war and some at least of the changes which took place after the outbreak of hostilities represented no more than an accentuation of what had gone before. The tempo quickened; the refrain was essentially the same.

For a time the quickening was less marked than might have been expected. In Germany there was relatively little room for change: the production of armaments and the general organisation of a war economy had been under way since 1933 and had reached a stage at which little more was needed than an adaptation to such new factors as the Allied blockade. In the democratic States the situation was very different: defence preparations were notoriously backward, but there was no such rapid mobilisation of economic strength as, it is now realised, the occasion demanded. Rapid is of course a relative term and the problems involved in changing over from a peace-time to a war economy are complex and difficult; but in the democratic States the process was made slower than it need have been by a failure to realise the magnitude and imminence of the danger. Norway, the Low Countries, and even France were consequently still far short of full economic mobilisation for defence when the Spring of 1940 brought the drive that overwhelmed them. Britain too had a long way to go to reach her maximum war effort: it was not till early in 1941 that the expansion in her war industries reached a scale sufficient to create extensive shortages of labour. Countries more remote from the scene of conflict, following the example of those near at hand and influenced in varying
degrees by the notion that distance gives security, likewise began their economic mobilisation at a pace with which they have become increasingly dissatisfied.

All expectation of a slow-motion war was effectively banished by the events of May and June 1940. In Great Britain and the Dominions laws were quickly passed to endow Governments with full powers over all persons and property and steps were taken to increase vastly the production of arms, munitions and other war requirements, and to tackle the complex and difficult problems of labour supply. In the United States, too, an awakened consciousness of danger led to the adoption of compulsory military training and an expansion of armament production, at first moderate in scale but later of unprecedented dimensions. Throughout the great industrial democracies the pace of economic change accelerated sharply. More and more of the available labour and equipment were absorbed in defence or war production and shortages of materials and of certain types of skills forced the curtailment of non-essential activity.

The process has gone farthest in Great Britain. By such devices as the control and allocation of raw materials, the limitation of retailers' supplies and various methods of controlling the distribution of labour, the use of scarce productive factors for less essential work has been severely restricted; and under the scheme of concentration of production introduced in recent months additional labour, equipment and facilities are being made available for work of national importance. Somewhat similar techniques have been or are being adopted in other countries of the British Commonwealth, and in the United States the mobilisation of economic resources for defence is being powerfully aided by such devices as the Governmental allocation of scarce materials and the enforcement of priorities for defence contracts. Not all the diversion of resources from their normal uses which has occurred has been for the purpose of increasing the output of the implements of war. In many countries the interruption of normal trade relations by naval and economic warfare has made necessary great efforts to expand the production of foodstuffs and other articles of ordinary civilian use.

From the outbreak of the war international trade was radically affected. Where strict controls of imports, exports, exchange rates, and the movement of capital did not already exist they were quickly instituted, first by the actual belligerents and later by many neutrals. The controls were used to conserve resources of foreign exchange, and particularly of U.S. dollars, to restrict imports of non-essentials and to increase wherever possible the imports of goods considered important for survival or defence. Such elements
of individual freedom as still persisted in 1939 in the field of international economic relations were thus progressively restricted and as a result the character of such relations is fundamentally changed. In the second place the volume, the composition, and the direction of international trade have been increasingly affected by actual hostilities. The area of the war has extended, closing channels of communication through which at least a trickle flowed at first; port facilities have been destroyed; ships have been sunk in numbers far exceeding any replacements; and the mechanism of economic warfare has been increasingly applied.

The effects of these developments have been widespread and profound. To a limited extent, it is true, they have been forestalled by action taken before the war or offset by recent innovations. Profiting by the lessons of 1914-18 many European powers had long sought greater self-sufficiency by increasing their own production of raw materials and foodstuffs or by importing from areas within their own political or economic spheres of influence; and once the war had broken out every effort was made to increase the output of substitutes. There are however limits to this process and the real costs involved are very great. At the present time the continent of Europe is almost entirely cut off from the rest of the world and is experiencing a shortage of certain raw materials, foodstuffs and animal fodder. To draw reliable conclusions from the available information is difficult but the greater part of Europe is under a unified political control which is attempting to construct a unified economic system, which must necessarily exercise a powerful hold upon those few European States which still retain political independence.

The statements made by Dr. Funk, the German Minister of Economics, on 25 July 1940, can presumably be regarded as an authoritative picture of how Germany proposes to organise this economic system. Dr. Funk laid down the following principles as the basis for the economic organisation of Europe:

"As against the English 'colonial methods', Germany is setting up a programme for building up the economy of Europe as a combined whole:

(1) By the conclusion of long-term economic agreements with the European States it is intended to ensure that, in their production planning, the national economies of the European countries adjust themselves on a long-term basis to the German market—that is to say, to a market for their goods that will be secure for many years. This will make it possible to continue to increase European production and to take up quite new forms of production. Further-
more, there will then also be better openings for German goods on the European markets.

(2) ....... 1

(3) By means of the exchange of experiences in the domain of agriculture and industry, a maximum output of foodstuffs and raw materials is to be aimed at and a rational economic distribution of work in Europe achieved. By putting the existing economic forces in Europe to the most effective use, the standard of living of the European peoples is to be raised and their feeling of safety against any possible blockade measures from outside Europe further strengthened.

(4) A stronger sense of economic community between the European peoples is to be created by collaboration in every domain of economic policy (currency, credit, production, trade, etc.). The economic solidarity of the European States is to facilitate a better representation of European economic interests as against other economic groups in the world economy. This united Europe will not permit any extra-European formation to dictate to it either political or economic conditions. It will trade with other parties at any time on the basis of equality of rights, but it will be in a position to throw the whole economic weight of the continent into its side of the scale. 2

The significance of the contemplated "rational economic distribution of work in Europe" is indicated in another passage of Dr. Funk's statement in which the general policy underlying these principles is expressed in the following terms:

"The peace economy for which I am preparing a comprehensive plan must guarantee a maximum of economic security for the Greater German Reich, and for the German people the maximum consumption of goods to raise the national standard of welfare. This is the goal determining the alignment of European economy". 3

In the oversea countries from which nearly half of Europe's imports is ordinarily drawn 4 the effects of the war, though less severe, have been scarcely less far-reaching. The Latin-American countries, for example, were great exporters of foodstuffs, raw materials and minerals to the highly industrialised countries of Europe. In 1938, 16.8 per cent. of their exports went to the United Kingdom and 16.2 per cent. altogether to Germany, France, and Italy. 5 When war

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1 Paragraph 2, which is omitted, is purely technical.
2 Reichsarbeitsblatt, No. 22, 1940, Part V, p. 370.
3 Ibid., p. 369.
5 U.S. Tariff Commission: The Foreign Trade of Latin America, Part I: Trade of Latin America with the World and with the United States, Washington, 1940, p. 41 This and other percentages cited are based on U.S. dollar values.
broke out the German market was immediately cut off and by the middle of 1940 practically all the remaining continental markets had been eliminated. For the twenty Latin-American Republics this meant that new buyers had to be found for more than $500,000,000 worth of raw materials, or nearly 29 per cent. of their total exports. At the same time new sources of supply, usually at higher prices, had to be found for the 34 per cent. of their imports which came from the continent of Europe. For both exports and imports these countries turned mainly to the United States. Latin-American exports to the United States rose by 31 per cent. during the first year of the war, as compared with the preceding year, while imports from the United States rose by 50 per cent. Great efforts were also made by these countries to build up trade among themselves. The problem created by the severance of trade relations with European countries was not, however, fully solved by these changes, for much of the Latin-American production for export is competitive with rather than complementary to United States production, some of the goods formerly supplied by European countries are difficult to obtain elsewhere, and, in addition, the Latin-American countries are finding it increasingly difficult to secure dollar exchange in quantities sufficient for their needs.

The position of Argentina, which has the largest volume of foreign trade of all the Latin-American Republics, may be cited as an illustration. As a result of the loss of continental European markets and reduced shipments to Britain (due to the war at sea) the total volume of exports has fallen off, large unsaleable surpluses of export commodities are accumulating and the State is finding it necessary to come to the assistance of producers. By March 1941 the prices of those exports that had found markets had fallen some 4 per cent., while imported goods, obtained in increasing measure from the United States, were costing some 33 per cent. more than before the war. As a result there has been a sharp increase in the deficit in the Argentine balance of payments in free currencies and the country has been obliged, in addition to buying up unsaleable surpluses of cereals and linseed, to limit strictly the importation of goods to be paid for in free currencies and to encourage increased production and exports of new products. One of

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2 Ibid., p. 47.
3 Ibid., pp. 47 and 48.
4 The physical volume of exports fell from 99.4 in 1939 (1926=100) to 78.2 in 1940 and from 106.5 in the first four months of 1940 to 68.5 in the first four months of 1941 (Banco Central de la República Argentina: Suplemento Estadistica de la Revista Económica, May 1941, p. 5).
the devices adopted for this purpose is a system of allocating to importers of certain articles the free exchange obtained by increased exports of goods formerly sold only in small quantities, the object of the system being to enlist the aid of foreign manufacturers in increasing the sales of Argentine products.\footnote{BANCO CENTRAL DE LA REPÚBLICA ARGENTINA: Annual Report ... 1940, Buenos Aires, March 1941, pp. 1-13.} Measures thus taken by Argentina herself have been supplemented by assistance from the United States. A loan of $60,000,000 has been made to the Argentine Central Bank by the U.S. Export-Import Bank and a further loan of $50,000,000 by the U.S. Stabilization Fund; and additional assistance has been given in the form of guarantees to certain United States exporters.\footnote{Ibid., p. 11 and Statements of the Export-Import Bank.}

Other Latin-American countries have also been granted loans and guarantees by the Export-Import Bank. By the end of 1940 the Bank had lent altogether some $300,000,000 for the benefit of Argentina, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Haiti, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. More than two-thirds of this amount had been lent since the outbreak of war in September 1939.\footnote{Based on Statements released by the Bank.} Most of the loans are designed to facilitate purchases in the United States of such goods as railroad and highway equipment, farm machinery, tyres and automobile equipment, agricultural products, and construction materials. To the extent that the obstacle to the purchase of such goods is a shortage of dollar exchange these loans should prove beneficial; but it may be noted that the problem with which the Latin-American countries are faced is not merely financial. There are real shortages at the present time of many steel products and of the delicate machinery formerly supplied by Europe, and in the present defence emergency the United States cannot readily spare these things.

The probable effects of the war on the welfare and standard of living of the agricultural populations of the Americas, as anticipated during the early months, were reviewed by a meeting of the American members of the Permanent Agricultural Committee of the I.L.O. which was held at Havana in December 1939 in connection with the Second Labour Conference of American States. The report adopted by the Committee suggests that countries which are feeling the effects of the disappearance of some of their most important markets should continue an active policy favourable to agriculture and should, in addition to measures designed to pro-
mote technical development, to give farmers greater security of land
tenure, and to protect the agricultural wage earner, also adopt a
modern nutrition policy to increase the consumption of agricul-
tural products. It points out that, while a real increase in the
demand for agricultural products would help to re-establish a better
equilibrium between agriculture and other branches of economic
activity, it is important to guard against an expansion of production
leading to overinvestment in agriculture, production and marketing
regulation being specially suitable for this purpose. It also urges
"that, in countries which have reason to fear serious depression in
agriculture after a period of temporary prosperity, steps should be
taken either by Governments or by farmers to assure that part of
the gains realised will be set aside to be used for the benefit of
agriculture at a later date". After referring to the value of the
analysis by international as well as by national bodies of the experi-
ence of the American countries relating to the regulation of pro-
duction and marketing, the report closes on the note that the
problems of agriculture "can only be properly handled if interna-
tional co-operation is also developed" by means of international
agreements for the regulation of production or marketing among
countries which themselves apply policies of planned agricultural
production.

In another of the world's great raw-material-producing areas
the effects of the war have been similar in certain respects to those
experienced in Latin America. Australia and New Zealand are
great exporters of farm produce, dependent mainly on the British
market. During the first year of the war British purchases of their
principal exports served actually to increase export receipts and
farm incomes in these two countries; but in recent months the
shortage of shipping has made it impossible to transport quantities
as large as those originally contracted for. Refrigerated shipping
space, in particular, is in short supply. Large stocks of Australian
and New Zealand meat and butter are consequently accumulating,
and although the cost of carrying them is being shared by the British
as well as the Australian and New Zealand Governments and the
stocks themselves will be of great value in meeting post-war short-
ages of food in Europe, there are limits to the quantities which can
be kept indefinitely in cool storage. The great farming and pro-
cessing industries of Australia and New Zealand are therefore faced
with the problem of effecting a partial change-over to new types of
production. No easy solution can be found by changes in processing
alone, for the machinery and tinplate needed to expand such opera-
tions as meat canning are difficult to obtain at the present time and
there are serious difficulties also in the way of any extensive change-over from butter making to the manufacture of cheese or dried milk. Moreover, even if these changes could be made and markets found for the new products, the shipping problem, though it might be rendered less acute, would not be wholly solved. New Zealand and Australian farmers, despite their distance from the main fields of conflict, are thus feeling the economic impact of the war; and their plight, like that of their opposite numbers in Argentina, is such as to necessitate the intervention of their Governments. During the first year of the war Australian and New Zealand imports, like their exports, remained at a high level. They were however subject to strict control, the purpose of which was to conserve non-sterling exchange, to transfer purchases to locally produced and other sterling-area goods, and to eliminate imports of luxuries. In recent months additional restrictions, together with the shipping shortage, have reduced both the value and the volume of imports. As in Latin America one result of these changes in external trade has been to stimulate internal industrial development. In Australia particularly there has been a remarkable growth in manufacturing industries and large quantities of war supplies and other articles not formerly produced are now being turned out. Industrial employment has expanded correspondingly and for more than a year past shortages of certain types of labour have been apparent.

Across the Pacific in the Far East the economic effects of the war which began in Europe in September 1939 have been superimposed on those of the war in China. From 1937 on, Japan's purchases abroad were concentrated increasingly on goods essential to her armament and heavy industries and to those export industries on which she depended for much-needed foreign exchange; but during the past year the world shipping shortage, together with the restrictions imposed on United States exports as a part of the defence programme, and more recently the measures of common defence taken jointly by the United States, the British Commonwealth, China, and the Netherlands Indies, have made it increasingly difficult for Japan to obtain the goods she needs. At the same time shortages of skilled labour and of imported raw materials have prevented her from taking full advantage, as in 1914-18, of the export opportunities presented by expanding economic activity and purchasing power in the United States, and by the cutting off of European shipments of textiles, pottery, toys, and other articles which Japan would normally be able to supply. The ambition to establish in Eastern Asia a "co-prosperity sphere" continues, how-
ever, to be the proclaimed purpose of Japanese policy.

China's trade position has become increasingly difficult as a result chiefly of the extension southward of the type of trade restrictions already imposed by the occupying authorities in the Northern Provinces, and of the blockade against coastwise shipping. Serious exchange difficulties were also encountered but assistance in overcoming these was given in 1940 by both Great Britain and the United States. Partly as a result of such assistance there was a marked increase (43 per cent. by value) in Chinese trade with the United States in 1940 as compared with 1939; but this movement was reversed in the early months of 1941. To offset the loss of foreign trade and of the industrial resources of areas now occupied by the Japanese forces, the Chinese Government has undertaken a vast programme of industrial development in the interior of the country. For this purpose it has evolved a type of organisation not previously employed on any large scale as a means of establishing modern industries. This organisation consists of a network of industrial co-operatives designed to provide work for refugees and other unemployed, to produce commodities needed by both civilians and the armed forces, and to promote increased self-sufficiency for the future as well as during the present emergency. The country's modern factories, situated for the most part in the coastal cities, were to a large extent destroyed in the two years following the outbreak of Sino-Japanese hostilities. It was therefore necessary to rebuild the machinery for industrial production in the interior of the country, to which industrial workers had fled, in common with most of the population in areas affected by the military operations. The policy followed was to avoid any concentration of plants on the ground that even a single factory recognisable as such was liable to be destroyed by bombing as soon as discovered. Not only the circumstances of the emergency but also the traditional structure of the country's economy, consisting largely of small handicrafts, operated mainly by persons belonging to the same family or village, favoured development on the basis of such units. The organisation of these industrial co-operatives is reported to be carried on from five regional headquarters covering the whole of Free China—an area about as large as the whole of Europe and extending in a wide crescent across 10 provinces. Over 2,000 of these units are reported to have already been established in Free China, and the value of their products, consisting of some 250 separate items, is estimated at over 500,000 dollars a month.

In India also the pace of industrialisation has been greatly quickened, and Indian industry now provides the greater part of
the requirements of the armed forces of the country, which have gradually been augmented. In addition, India's economic resources have been mobilised so that from its central position in the Middle East a regular and adequate flow of supplies may be ensured to the Empire forces operating throughout the area. Recent press reports indicate that nearly 400 articles not manufactured in India before the outbreak of war are now being produced there, and that there has been an increase in the output of hundreds of other articles. India has produced for war purposes nearly 200,000 tons of structural steel. Production of pig iron is more than 1,800,000 tons annually. Thousands of motor vehicles of more than 50 types are to be delivered before the end of 1941, and it is planned to produce 3,000 armoured fighting vehicles within a year for India's own requirements. Indian shipyards are building large numbers of small craft from mine-sweepers to life-boats, and the construction of floating docks for the use of the British Admiralty is about to begin. The Hindustan Aircraft Company, recently established at Bangalore, in the State of Mysore, has started production. The cotton and woollen textile industries are said to be producing this year something like 324 million yards of cloth for garments, and ordnance clothing factories more than four million garments a month.

The Soviet Government has not published, for the period under review, detailed information on any phase of economic development, but in general progress in the development of the Soviet planned economy appears to have continued, although there are said to have been some failures to maintain planned rates of output. A leading feature of the period under review was the acceleration of the development of the Urals and of the Arctic and Central Asiatic provinces, as mining and as industrial and agricultural centres.¹

In Iran and Iraq there has been industrial development and railroad expansion, the completion of the Trans-Iranian Railway and of the Baghdad Railway being regarded as particularly important. In Afghanistan the Government is taking steps to form an association of chambers of commerce for the purpose of stimulating economic development.

The process of adjustment to which the wartime interruption of normal trade has given rise and the impetus this interruption has given to industrial development in countries outside Europe is clearly of great importance at the present time; but its implications for the future are perhaps even more important. A large part of the new industrial development is being organised either directly by

Governmental agencies or with Governmental assistance and supervision. Many of the industries brought into being or expanded since the outbreak of the war are producing solely for their own home markets, but this is by no means invariably the case and new international trade relationships based on the products of certain of these industries are developing to supply wartime demands or to take the place of trade destroyed by the war. To facilitate both the development of new industries and that of international trade in particular products new methods of international financial cooperation have been devised.

The large part played by Governments in the establishment of new industries is sufficiently familiar to need little elaboration. The role of the State, while most prominent in the countries actually at war, has also been notable elsewhere. In the newer industrial countries State enterprise and State assistance to new industries have long been regarded as normal methods of surmounting such difficulties as lack of capital and risks too great to be assumed unaided by the private investor. It was therefore natural that these same methods should be adopted to meet the special difficulties created by the impact of the war on normal markets and sources of supply. In the United States also the Government is playing a major part in financing the construction of industrial plants and other facilities essential to defence, and with the steady extension of controls of various kinds and notably of the system of priorities in the use of raw materials and machine tools, the United States has gone a long way in the direction of total economic mobilisation for defence. In certain of the older industrial countries, such as Sweden and Switzerland, which, though not at war, have been obliged to put their defences on what is virtually a war basis, a system of controls approximating closely to a war economy has had to be devised. In the countries actually at war the process has gone further; and it has naturally gone furthest of all in those countries which had long devoted their main efforts to preparation for the present conflict. A war economy is inevitably a controlled economy. Though private enterprise may continue to play an important part and has done so at least in the democratic States, the criteria of prices and profit upon which it normally relies cannot under war conditions be permitted to determine the allocation of available resources. This is necessarily a matter for governmental controls and State enterprise, for only the Government is in a position to form any estimate of the types of production that are required and for what periods, and only the Government can exercise the authority needed to transfer re-
sources quickly and in sufficient quantity from their normal peace-time uses to the making of munitions and other war equipment.

Many of the extensions of State economic activity which are peculiarly characteristic of a war economy—such as those designed to cope with wartime shortages or forming part of the apparatus of economic warfare—will no doubt be abandoned when the war is over. But there are many developments of State action about which no such assumption can be made and the longer the war lasts the more numerous and the more important they are likely to be. This is so not merely because of the inherent vitality and vested interests of any established institution, but because much of the wartime enlargement of the economic functions of the State is no more than an extension of a trend already strongly marked and widely recognised. This trend is not likely to be suddenly reversed. Indeed, wartime demonstrations of the effectiveness of governmental action in mobilising economic resources for a specific aim are likely to be regarded as strengthening the case for similar intervention to solve both the problems of readjustment to which the post-war transition to a peace-time economy is bound to give rise and the long-term problem of maintaining that high level of economic activity which is a necessary foundation for the progressive improvement of living standards.¹

The development of new trading relationships based on the products of new industries is well illustrated by the increased trade among the Latin-American countries and between these countries and the United States. Further increases in trade within the Latin-American group may be expected as the result of the establishment of such new industries as the large iron and steel plant now being constructed in Brazil. Other examples of increasing trade and developing economic co-operation within the Western Hemisphere could be given. Between the United States and Canada in particular there has been a great increase in trade. Canadian imports of merchandise from the United States were nearly 50 per cent. higher in 1940 than in 1939, while exports to the United States were up nearly

¹ See for instance the Eleventh Annual Report of the Bank for International Settlements which observes that "Social duty and common sense will oblige governments to assist in the process of post-war readjustment by which production will be redirected into its peace-time channels—the only course by which the standard of living can again be raised after the decline due to the war".
17 per cent. More far-reaching, perhaps, in their potential scope and implications are certain arrangements recently instituted between these two countries. A Material Co-ordination Committee comprising United States and Canadian officials was set up in May 1941 to collect and exchange information on the supply of raw materials in the two countries; and in the following month Joint Economic Committees were established with instructions “to study and to report to their respective Governments on the possibilities of . . . (1) effecting a more economic, more efficient and more co-ordinated utilisation of the combined resources of the two countries in the production of defence requirements . . . and (2) reducing the probable post-war economic dislocation consequent upon the changes which the economy in each is presently undergoing”. Though the Committees have no executive powers and their work is still in its early stages, their terms of reference are such as to suggest the possibility of economic integration of a kind which might well transcend and outlast the present emergency.

The growth of new international trading and economic relationships has not been limited to the Western Hemisphere. As is well known there has been a great increase in exports of armaments and other essential supplies from the United States and Canada to Great Britain. Total United States exports to Great Britain were twice as great in 1940 as in 1939, while Canadian exports to Great Britain increased over the same period by 55 per cent. Since Great Britain was obliged to exercise economy in the use of both shipping and dollar exchange, her increased demand for war materials and equipment necessitated a reduction in imports of crude and manufactured foodstuffs. United States exports of these, for example, formed only 6 per cent. of all exports to the United Kingdom in 1940, as against 21 per cent. for the three preceding years. The decline has continued through the current year and total United States exports of farm produce in the first four months of 1941 were 63.5 per cent. below those of the corresponding period of 1940.

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1 Based on Dominion Bureau of Statistics: Canada's Domestic Exports by Principal Countries, excluding Gold, Dec. 1940, and Imports by Principal Countries, excluding Gold, Dec. 1940. The percentages are based on Canadian dollar values but although there was a decline in the exchange value of the Canadian dollar in terms of U.S. dollars during the period covered, only a small part of the increases noted was due to this factor.

2 Canada at War, July 1941, p. 29.

3 Foreign Commerce Weekly, 12 April 1941, p. 59.

4 Dominion Bureau of Statistics: Canada's Domestic Exports by Principal Countries, excluding Gold, Dec. 1940.

5 Foreign Commerce Weekly, 12 April 1941, p. 59.

6 Business Week, 28 June 1941, p. 61.
whose trade with the United States increased in importance in 1940 as a result of the war included Egypt and Turkey. Egypt's trade with the United States actually increased in volume, while that of Turkey though smaller in volume formed a greater proportion of her total trade. On the other hand, Turkey's trade with Germany and, in the second half of the year, with Italy, registered a sharp decline. This change had important repercussions, for Germany had been Turkey's main source of machinery, industrial equipment and numerous manufactures, and the decline in imports from Germany consequently had the effect of slowing down to some extent the programme of industrial development provided for in the second Turkish five-year plan. In the Middle East the outstanding development was the Eastern Group Supply Conference which met in Delhi in October 1940, and established there a Council and permanent secretariat to carry on its work. The countries which took part—Australia, New Zealand, South Africa, India, Burma, Ceylon, Southern Rhodesia, East Africa, Hongkong, Malaya and Palestine—have taken steps to pool their resources for war purposes by organising an efficient division of labour, stimulating the development of complementary industries and economising on long distance transport. Important developments are consequently taking place in the trading and economic relationships between the various countries of this group and between certain of them and the Netherlands Indies. Here again, though the industrial expansion and the trading connections now developing have had their origin in the present war emergency, there is every reason to expect that much of their importance will persist into the post-war period.

The development of new methods of international financing is likewise of the greatest importance for the future. Reference has already been made to the financial assistance extended by the United States through the Export-Import Bank and the Reconstruction Finance Corporation to a number of Latin-American countries, for the purpose of stabilising currencies, establishing new industries and promoting increased trade. More novel in method, however, than the loans and credits granted in this way and of perhaps greater significance for the future is the assistance given under the so-called Lend-Lease Act to countries "whose defence the President deems vital to the defence of the United States". The Act empowers the President of the United States to have manufactured or to

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procure in other ways a wide variety of "defence articles" and to sell, transfer, exchange, lease, lend, or otherwise dispose of them to the countries concerned. The terms and conditions under which such assistance is given to a foreign Government "shall be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory". The Act makes the products of American factories and fields available to those who now stand in the front lines of resistance to aggression, without insisting on cash payment and without burdening the future with those monetary war debts which in the past have proved so serious an obstacle to good international relations. The potential significance of the Act for the future can hardly be overestimated; for there is no more important conclusion to be drawn from the history of the last two decades than that finance must be the servant and not the master of economic policy if economic policy is to become an instrument for achieving social objectives.
CHAPTER III

THE SOCIAL BACKGROUND

The social consequences of the political and economic changes described in the preceding chapters have been far-reaching. A detailed account of them would be out of place in this report which can attempt no more than a sketch of some of the more suggestive trends. Nor is it possible, while the situation remains so much in flux, to deal with the different branches of so vast a subject in any uniform manner. In the case of some topics, such as employment policy, it is already possible to give a synthetic account of general tendencies; in the case of some of the other topics dealt with, the stage at which one can wisely proceed from illustration to generalisation has not yet been reached.

EMPLOYMENT

The economic changes resulting from the war have had far-reaching and frequently conflicting repercussions upon employment in all countries. In September 1939 Germany was the only country where the gradual development of a war economy, which had been in progress from the beginning of the National-Socialist régime, had not only almost completely eliminated unemployment but had created a shortage of labour which, spreading progressively from the manufacture of arms to all sectors of the national economy, had made necessary an ever stricter and more general control of the distribution and utilisation of the available labour supply in order to ensure maximum production of the goods necessary for the conduct of war. In the other belligerent countries the growth of armaments had for some time tended to produce a reduction in unemployment, and, in the case of certain types of labour, shortages were already creating a problem, but there continued to be a considerable number of unemployed and the immediate effect of the war was an increase in unemployment resulting from mobilisation, the dislocation of foreign trade, the falling off of non-essential industries, and the desire to secure employment of large numbers of people not
previously employed. But though the war did not automatically solve the unemployment problem in these countries, it completely changed the determining factors in the problem by creating an ever-growing demand for man-power for the essential industries and the armed forces. Thenceforth, the problem was to become less and less that of “creating” opportunities for the employment of “excess” labour supply, but rather that of organising the absorption of the unemployed in war industries. Every unemployed person became potentially employable, the factors governing return to work being the development of armament production and the availability of raw materials, on the one hand, and, on the other, the suitability of the unemployed person for the work to be done. With the increase in the effective demand for labour the continuance of any considerable amount of unemployment was to appear increasingly as a paradoxical anomaly which it was the duty of the public authorities to eliminate at the earliest possible moment. A great impetus was thus given in all the countries concerned to schemes of selection and transfer and of vocational training and readjustment designed to place the unemployed in the posts to be filled. At the same time, under the pressure of urgent needs, age, sex, nationality, and race restrictions which operated as obstacles to the re-employment of certain classes of unemployed persons have become less rigid. The hard core of unemployment has begun to dissolve, thus affording proof that the problem of the so-called unemployables has been created by a lack of opportunities for work rather than by any real unemployability of the individuals concerned.

The statistics of unemployment give but an imperfect picture of the rate at which the unemployed have been put back to work in the course of the period under review, as allowance has to be made for persons unemployed as the result of the falling off of the non-essential industries and for persons now seeking employment who were not previously engaged in paid employment. In Great Britain, for instance, the number of persons registered as wholly unemployed, which was 778,092 during the period 15 April to 20 May 1940, had only fallen to 663,769 during the period 16 September to 14 October 1940, but a special analysis of the period of time over which the persons registered on 25 November had been unemployed showed that 43 per cent. of the unemployed men had been registered for less than two weeks and 53 per cent. for less than four weeks. The number of persons who had been registered as unemployed during a period of two months or more had fallen to 53,000 which was only half the figure for 20 May. Permanent unemployment, which before the war had appeared to be an irremediable evil, had been in large
measure eliminated, though it was partly replaced by transitional unemployment. This transitional unemployment began in turn to decline perceptibly with the expansion of the armament industries from the end of 1940, with the result that the number of wholly unemployed persons, which was still 541,900 on 9 December 1940, had fallen to 219,577 on 14 July 1941.

The restoration to work of unemployed persons, which has received an exceptional impetus in all the countries affected by, or threatened by, the war, has been but one of the numerous methods adopted to meet the needs of essential industries. The shortage of reserves of labour of certain types, the lack of which would paralyse the expansion of these industries, has made it necessary to organise with care the distribution of such labour between industry and the armed forces on the one hand and between the different branches of industry on the other, due regard being had at every stage to both military requirements and the needs of the production programme. As the shortage of labour has become more acute and more general, the danger which the competing efforts of individual undertakings to satisfy their labour requirements may present for the execution of the production programme has required increasing attention, and measures have accordingly been taken to supervise these efforts and to promote stability of employment among workers engaged upon work of national importance. Control of the use made of the available man-power has also had to be supplemented by measures for the training for essential work of workers engaged in less essential industries and of new workers recruited from outside the ranks of industry. The problems presented by the organisation of a war economy have stimulated the development of planned employment policies designed to limit the occupational mobility of workers engaged in work of national importance and to transfer all available man-power to essential work.

The stage in the development of this policy which has been reached to-day naturally varies greatly from one country to another according to the extent and acuteness of the shortage of labour. There are also great differences in the degree of compulsion which has been used and the methods by which the policy is applied. In Germany, where the policy was fully developed at the outbreak of war, it has continued to be applied and has been characterised by the leadership principle which is typical of the National-Socialist régime. The shortage of labour, already general before the war and increased by the mobilisation of several million men, has led to measures of requisition which would no doubt have been even more far-reaching if the German economy had not, as the result of the
military and political situation, secured ever increasing resources of man-power in its camps of prisoners of war, in the occupied territories, and in the countries politically linked up with the Reich. In Great Britain employment policy has developed gradually during the war as the reserve of labour furnished by the unemployed has ceased to be sufficient to meet the needs of essential industries. It has been characterised by a desire to place a minimum of reliance upon the far-reaching powers of compulsion which have been granted to the Government, and to secure the fullest co-operation of the employers' and workers' organisations at every stage in the planning and execution of the necessary measures. The national defence programmes of the British Dominions have developed more slowly and as yet it has not been necessary to introduce as strict a control of the utilisation and allocation of man-power, but their Governments have been armed with all the necessary powers to solve the problems which will grow increasingly acute with progressive expansion of the armament industries and the fighting forces. In the United States the deliberate orientation of the economy towards a maximum strengthening of the national defences is of relatively recent date and, despite the absorption of 2,700,000 unemployed in industrial work and the incorporation of 1,100,000 men in the armed forces between April 1940 and April 1941, the number of unemployed in May 1941 was still, according to the statistics of the American Federation of Labour, higher than six million. Serious shortages in many categories of workers indispensable for the production programme nevertheless already present difficulties, to overcome which more far-reaching measures, in which the emphasis is placed upon training in special skills, are required.

The situation of the European countries which have been conquered, or are dominated, by Germany is, by comparison, more complex. Twice in the course of the first ten months of the war a great dislocation of employment was caused by the economic repercussions of political and military developments. The French economy, after being profoundly affected by a particularly comprehensive mobilisation, was completely orientated towards meeting war requirements in co-operation with Great Britain. After the defeat France had to reorganise the employment of her people under entirely new conditions. The countries which remained neutral at the beginning of the war attempted during the months of neutrality to cope with the dislocation caused by mobilisation and to reorganise employment on the basis of the changed trade situation: their efforts were beginning to yield results and unemployment was declining when the events of the spring of 1940 brought widespread devasta-
tion and isolated almost the whole of the continent from the rest of the world. All the invaded countries were confronted overnight with large-scale unemployment: the destruction of industrial plants, public utilities, and communications, the loss of stocks of fuels and raw materials, the huge exodus of refugees, and the internment of a large part of their armies aggravated the situation produced by the complete collapse of foreign trade. Thenceforth the need to revive economic life as much as possible by making a beginning with indispensable reconstruction work played in these countries the role which the need to strengthen the national defences continued to play in those of the European countries which remained outside the conflict. In all the European countries difficulties of food supply had concentrated attention upon agricultural production from the outset of hostilities. From the summer of 1940 the increase of agricultural production became a preoccupation of the first importance. In order to cope with the situation measures have been adopted in almost all of these countries giving the authorities far-reaching powers over the allocation of man-power in order to secure priority for essential and urgent needs.

There are few continental European countries where the Government has not had recourse to some form of compulsory labour service in order to ensure the execution of work of national importance and the development of agricultural production. But though the neutral and invaded countries of continental Europe have, like the countries actively engaged in the war, been obliged to re-allocate man-power in order to deal with the new conditions created by the war this re-allocation has not, especially in the case of the invaded countries, made it possible to put back to work more than a part of the labour unemployed as the result of the lack of raw materials, the loss of foreign markets, and difficulties of transport. The resulting labour reserves have been heavily drawn upon by Germany to meet her own needs, the threat of stopping all payments in respect of unemployment being used to coerce the unwilling. In addition to a million prisoners of war, German agriculture and industry are at present employing about one and a half million foreign workers. A large number of men are also being employed in Western Europe in the construction of defence works along the coasts. Even so, unemployment has not been eliminated. In contrast with the position in the belligerent countries, the majority of the continental European countries still have a body of unemployed for whose work there is no effective demand and for whom, accordingly, employment can be found only by a work-creation policy. The organisation of labour camps, relief works, and public works, therefore
remains an important part of the employment policy of these countries. In certain countries, notably in France, the impossibility of finding work for all the unemployed has led to the adoption of such measures as the organisation of part-time employment, the exclusion from employment of certain classes of workers such as women, elderly workers, and foreigners, and the recognition of a right to priority of employment for other classes such as married men with dependent children.

In Latin America the chief impact of the war has been upon the sectors of the economy which are dependent on foreign trade. The dislocation of employment in these countries has been upon a much smaller scale than in the case of the European countries, but the war has not precipitated urgent and important needs to compensate for the falling off of openings for employment in these sectors of the economy. There has therefore been a decline in the demand for labour which has led Governments to seek to furnish new openings for employment by industrialisation, internal colonisation, and public works. In Colombia a fund for financing public works projects has been created by two Decrees of 1940. In Peru an energetic public works policy has been followed and a loan of 100 million soles was issued in October 1940 for the purpose of financing this policy. Public works policy is also receiving much attention in Argentina and has been the subject of recommendations by the National Unemployment Commission. The unfavourable state of the labour market has combined with political uncertainties to produce an accentuation of immigration restrictions, although immigration was already tending to decline as a result of the difficulty and cost of transport.

The economic consequences of the war, while involving grave dislocation of employment everywhere, have also produced a much keener awareness of the value to a nation of the full employment of its man-power. In the belligerent countries elimination of unemployment has become an immediate and urgent necessity as all available material and human resources have to be mobilised to secure national salvation. Security of employment is also being referred to on all hands as the keynote of post-war economic and social reconstruction. To enable the individual to secure a reasonable standard of life and contribute to the general prosperity of the community by productive work would appear to be, by general accord, the first condition which must be fulfilled in order to avoid a relapse into the economic and social disorders which played so important a part in the origin of the present war.
The experience of recent months has also demonstrated that an increased demand for labour does not necessarily produce an automatic increase in the volume of employment. The difficulties which have been experienced have emphasised the importance of vocational training in employment policy. One of the greatest difficulties encountered by national defence programmes has been that of finding labour capable of filling the new needs created by the changing structure and the expansion of the economy. Vocational training and retraining and the provision of advanced training on an unprecedented scale have been indispensable as a means of putting the unemployed back to work, securing the necessary re-allocation of man-power and recruiting new workers. The problem of vocational training has also come to the fore, under different conditions but with equal urgency, in countries desiring to accelerate the pace of their industrialisation. In India, for instance, the creation of new industries as a part of the defence programme of the Eastern countries of the British Empire has required a parallel effort to increase the number of skilled workers. In Brazil an obligation has been placed upon undertakings employing 500 workers or more to introduce vocational courses. In the U.S.S.R. a programme of considerable scope was put into effect in October 1940 by the introduction of a system of compulsory vocational training under which between 800,000 and a million young people are to receive vocational and technical instruction each year in order to furnish the cadres necessary for the development of the industries of the country.

The need for an adequate general organisation to deal with employment questions has also been underlined. The mere registration of applications for and offers of employment and the filling of vacancies on the basis thereof have proved to be quite inadequate. Determined and systematic action to overcome all obstacles to the mobility of the labour supply has proved to be essential. An adequate organisation for employment questions presupposes an efficient placing service operating under centralised control and having at its disposal adequate information on labour resources and requirements. The exceptional conditions resulting from the war have given an impetus to great improvements in this respect in a number of countries. Where, as in Switzerland, Norway, the Netherlands, France, Canada, and Japan, the employment services were subject to regional or local authorities, reorganisation has been undertaken with a view to co-ordinating them in a national and unified system under the control of a central authority. Even where the structure of the system was adequate to the requirements of the emergency, it has been necessary, as the result of the long economic
crisis during which the employment offices were almost completely occupied with the supervision of unemployed persons who were in receipt of indemnities or allowances, to reorientate the employment offices to their normal work and to convert them, to use an expression of Mr. Ernest Bevin, British Minister of Labour, "from offices paying people into offices placing people". The importance of the duties which have fallen to the employment offices in the organisation of a war economy has thrown into relief the central role which they must play at all times in order to ensure that manpower resources and the needs of the economy are adequately coordinated.

Thus the very acuteness of the problems created by the war has in many respects brought about a better understanding of the fundamental principles which must lie at the basis of any attempt to organise employment. The progress which has been achieved in the application of these principles is of more than passing interest for they will be of value at the end of hostilities when it becomes necessary to reorganise employment to meet the needs of a peace economy. The experience acquired during the war may well be of service at that time in the solution of the problems of employment and re-employment which, in the darkest days of the great depression, sometimes appeared to be altogether insoluble.

Wage Policy

Increased employment and labour shortages due to war conditions have been reflected in higher earnings and in a tendency to rising money wage rates. In most of the countries concerned, however, measures have been taken, as part of a general campaign against inflation, to restrain directly or indirectly the rise in wages, and as might be expected have given rise to highly controversial issues.

Where comprehensive systems of wage regulation were in existence already before the war, the development and application of a definite wartime wage policy naturally proceeded more smoothly and more quickly than in those countries in which wage determination was almost entirely a matter of unregulated individual or collective bargaining. Thus, in the totalitarian States where wage regulation was already general and where policies could be formulated and imposed from above without the delays involved in negotiation with employers and workers, orders stabilising existing minimum wages and prohibiting the payment of higher rates were among the earliest steps taken on the outbreak of the war. In Germany, by an Order of 4 September 1939 and later regulations,
the Labour Trustees were empowered to fix minimum rates of wages and elaborate rules were made to prevent the payment of higher compensation by roundabout methods or in forms other than wages. Enforcement of the policy thus laid down was supported by the complete control of engagement and dismissal of workers. Details of the wage policy actually followed under these regulations are difficult to obtain, but although some wage increases have been allowed and some restrictions made, the general effect of the measures taken appears to have been to keep the level of money wage rates practically stable. In Italy a similar stabilisation was effected by an Act of 19 June 1940, though some months earlier it had been found necessary to grant additional family allowances and general increases in wages as a partial compensation for rising costs of living. In Japan, under Orders of 16 October 1939, wages and salaries were stabilised at the levels of 18 September 1939 and increases were permitted only in special cases and with official authorisation. Here again detailed information is lacking, but early in 1940 it became necessary to supplement the lower wages with family allowances in order to reduce the hardship caused by rising costs of living.

In France also pre-war wage rates, determined for the most part by arbitral awards or collective agreements, were frozen at an early stage. Under a law of 10 November 1939 the average wages paid in any undertaking engaged on national defence work to workers in the same occupational group were not to exceed the average wage of 1 September 1939 for the same hours and output, except in cases where the Minister of Labour and the Minister directly concerned jointly decided to make some change; and in any case the rates approved were not to be exceeded. Certain exceptions were in fact allowed: seamen, for example, received special bonuses to compensate for wartime risks.

In most other countries the emergence of a definite wartime wages policy was more gradual. In many cases the main action taken was the payment of special allowances or bonuses to offset partially the rise in living costs. Thus, in Denmark, Sweden, and Norway, general agreements were reached late in 1939 or early in 1940 by the central organisations of workers and employers to adjust wages throughout most industries by sliding scale arrangements. In Denmark and Norway, however, these agreements were radically amended after the German occupation, the cost-of-living allowances being sharply reduced in Denmark and abolished altogether in Norway; and in Sweden the central organisations of employers and workers agreed early in 1941 to a reduction in the amount of com-
pensation for the rise in costs of living. In Hungary, the adjust-
ment of wages to rising prices was effected by Government inter-
vention: late in 1940 the wages of workers in industry, commerce,
mines, and blast furnaces and the salaries of salaried employees in
private employment were increased by 7 per cent., and in May 1941
the increase was raised in most cases to 15 per cent. and a smaller
increase, together with higher family allowances, was granted to
civil servants. In Finland a Government declaration of February
1941 favoured wage increases for very low-paid workers at rates
proportionate to the rise in the cost-of-living index number and
increases for other workers averaging about two-thirds of the rise
in that index. In Ireland, on the other hand, all arrangements
providing for wage increases to offset rising costs of living were in
effect suspended in May 1941: by a special Order, designed as part
of a general policy intended to prevent inflation and to ensure an
equitable distribution of available commodities, wages and divi-
dends in practically all industrial employment were stabilised at the
level prevailing on 7 May 1941.

In Great Britain, though no general scheme was evolved, the
number and coverage of sliding-scale agreements increased enor-
mously, and, as a result of wage advances accruing under such agree-
ments or negotiated separately, average weekly full-time rates of
wages rose about 20 per cent. between 1 September 1939 and 1
June 1941, while over the same period the cost-of-living index rose
29 per cent. In July 1941, however, a statement of Government
policy, while recognising that the increases in wage rates so far had
been reasonable and that the existing joint machinery for wage
negotiations had operated successfully and had enabled industrial
peace to be maintained, stressed the necessity of bearing in mind
that "the (Government's) policy of price stabilisation will be made
impossible and increases of wage rates will defeat their own object
unless such increases are regulated in a manner that makes it pos-
sible to keep prices and inflationary tendencies under control". The
statement referred to the efforts being made by price fixing, the
grant of subsidies, and higher income taxes, to prevent any further
rise in the cost-of-living index number, apart from minor seasonal
changes, and reiterated a hope expressed earlier by the Chancellor
of the Exchequer that conditions might thus be created which would
"enable the wages situation to be held about where it now is". It

1 Parliamentary Debates, House of Commons, 26 June 1941, col. 1080, State-
ment by the Minister of Labour.
2 Statement by His Majesty's Government on Price Stabilisation and In-
6294.
recognised, however, that there might be "proper grounds for ad-
justment of wages in certain cases, particularly among comparatively
low paid grades and categories of workers, or for adjustment owing
to changes in the form, method, or volume of production". The
General Council of the Trades Union Congress has issued a memo-
randum dissenting from the Government's policy and expressing
"the emphatic view that any attempt to control movements for the
increases of wages is impracticable and undesirable".

The war has also had an important effect on wage policy in the
extra-European countries. In India a cost-of-living bonus has been
accorded to railway workers at the instance of the Government
which has also established new machinery for compiling cost-of-
living index figures. Such a bonus has also been accorded in some
of the principal other industries.

The outstanding example of adjustment of wages to movements
in living costs is furnished by Australia, where such adjustments at
regular intervals have long been a feature of the comprehensive
system of minimum wage regulation developed over more than
three decades. These regular and automatic adjustments have, how-
ever, been supplemented on the one hand by increases in the mar-
gins for skill or by special "war loadings" in certain trades and by
the establishment of a national system of family allowances,
and on the other by the fixing of maximum as well as
minimum wages for certain classes of munition workers.
Except in the case of munition workers there is no
restriction in Australia on the payment of wages in excess of the
legal minima but the upward movement of these minima in response
to rising costs of living is checked indirectly by a comprehensive
system of price controls. From the outbreak of the war to May
1941 the Commonwealth Arbitration Court's basic wage rose about
8 per cent., but the percentage rise in the average of all minimum
rates was probably a good deal less. Though statistics are not avail-
able it is likely that total earnings have increased much more as a
result of increased employment, overtime, and the payment of rates
in excess of the legal minima. In New Zealand, though no provi-
sion exists for automatic adjustments, the Court of Arbitration was
empowered in May 1940 to vary minimum wages by general Order,
and three months later it made use of this power to award a general
increase of 5 per cent. to workers under its jurisdiction. Public
servants earning less than £335 a year and waterside workers re-
ceived similar increases. Shortly afterwards an Economic Stabilisa-

2 Cf. E. R. Walker and R. M. Bercroft: "New Developments in Australia's
War Economy", in The Economic Record, June 1941, p. 17.
tion Conference, consisting of representatives of the principal organisations of workers and employers and of the commercial banks, recommended the stabilisation of wages, salaries, rents, and the prices of certain essential commodities and services. The index number of wage rates has in fact remained virtually stable since then, though the total amount of salaries and wages fixed has continued to rise, owing to such factors as increased employment and overtime earnings.

In Canada, as in Australia, the adjustment of wages to rising costs of living takes the form of a periodical revision; but the policy adopted in Canada goes much farther in the direction of preventing unauthorised advances in wages. By an Order in Council binding on all employers and workers engaged on war work, Boards of Conciliation and Investigation were enjoined to regard as generally fair and reasonable and to refrain from increasing the highest wage rates established between 1926 and 16 December 1940; but such rates are to be supplemented, except for good cause shown to the contrary, by a separate cost-of-living bonus, usually of $1.25 a week for each rise of 5 per cent. in the cost of living, designed to safeguard workers against increases in the cost of basic necessaries. All agreements negotiated in war industries must conform to these rules; and since August 1941 Dominion civil servants earning less than $2,100 a year have received a similar cost-of-living bonus. In the United States no such general wage policy has been formulated, though in recent months there has been much discussion of the possible repercussions on wages and living costs of the rapidly expanding defence programme. During the 12 months ended June 1941, the average hourly earnings of workers in manufacturing industries rose 9.8 per cent. and average weekly earnings 23.5 per cent., while the cost of living advanced 4.1 per cent. Real hourly earnings thus rose 5.5 per cent. and real weekly earnings 18.6 per cent. over this period.

In addition to the effects of the war on the general levels of money and real wages, it is important to notice the accompanying repercussions on the relative wages of workers in different industries and in different grades of skill. But in general the effect of the wartime emphasis on the adjustment of wages to rising costs of living has been to reduce the relative wages of skilled workers while raising those of workers in the lower grades. There have, however, been exceptions: some of the cost-of-living adjustments, like the 5 per cent. increase noted in New Zealand, have been in equal pro-

* Based on figures released by the Bureau of Labor Statistics.

*The point is discussed at greater length in INTERNATIONAL LABOUR OFFICE: Studies in War Economics, pp. 71-94, Montreal, 1941.
portions for all grades of workers, and some of those which favoured the low wage groups have been more than offset by other factors. Thus, in those countries where employers have been free to offer higher wages in order to attract additional labour, skilled workers in the munitions industries have been able to secure substantial increases, while overtime earnings in varying amounts have also affected the relative position of different groups. In the countries under German occupation a new type of wage differential has appeared based on discrimination between different races or nationalities. Thus in the territory annexed from Poland lower rates of wages are fixed for Polish than for German workers in agriculture, while Polish industrial workers are required to forgo 15 per cent. of their wages on the pretext that they are accustomed to a lower standard of living than the Germans similarly employed. Even where no such differential is specifically prescribed, the policy is to reduce the levels of wages in the occupied territories: thus, in Norway real wages were reduced by about 30 per cent. between April 1940 and February 1941, and in Denmark and the Netherlands substantial reductions in real wages, in addition to those effected in some cases in money wages, have been brought about by the suspension of the normal adjustments to rising costs of living.

HOURS OF WORK

The last world war marked an epoch in the movement to reduce hours of work by bringing to a head the movement for an 8-hour day or a 48-hour week, the reasonableness of which as a standard was formally recognised in the Peace Treaties. During the following decade the 8-hour day or 48-hour week, for which the labour movement has been struggling for three-quarters of a century, became, despite the difficulties encountered in connection with the ratification of the Washington Hours Convention, an increasingly accepted standard of practice. With the great depression came a struggle waged around a new objective — the 40-hour week. But whereas the claim for the earlier standard had been based mainly

\(^a\) Cf. *Wirtschaftsdienst*, Special Norway Number, 18 Oct. 1940, p. 810, where it was stated that one of the most important tasks in Norway was "to increase labour output and reduce wages considerably wherever wage increases which are fatal to economic life have been achieved as a result of strike action by the trade unions . . . In the long run an adjustment of prices to the level in Central Europe will become necessary. In this way, with the lowering of prices and of real wages, and therefore of the standard of living, the necessary conditions will one day be created for the incorporation of the Norwegian economy in the European economic system."

on the notion that the 8-hour day or 48-hour week was itself a reasonable average limit, calculated to prevent undue fatigue and to provide reasonable leisure for recreation, the claim for the 40-hour week originated as a plan for sharing employment and not as a plan for permanently reducing hours of work. The new campaign won some notable successes and, after the approval of the principle by the International Labour Conference in the Forty-Hour Week Convention, 1935, and the adoption of the 40-hour week as a standard in a number of important industrial countries, the movement for the reduction of hours gradually changed its character. The 40-hour week ceased to be regarded as a temporary expedient to meet an emergency, and came to be looked upon as a phase in a long-term trend in the development of industrial life designed to give the workers some of the benefit of the unprecedented technical progress of the inter-war period.

That the peace-time standard of hours of work should in some measure be relaxed in time of war or of national emergency is natural. By 1938 the movement for a reduction in hours of work had been brought to a stop in a number of countries and in some countries hours were being lengthened. In Japan, intensive demand for war supplies led to an extension of hours in almost every important industry, save textiles, to 12 or more in the day. It was evident that prolonged hours were being worked in Germany though it was difficult to obtain accurate figures. By the end of 1938, measures had been taken to render the application of the 40-hour week in France more elastic. The outbreak of the second world war led to an immediate extension of hours of work in both the belligerent and a number of non-belligerent countries. In Germany, from 1 September 1939, measures were introduced which had the effect of almost entirely abrogating restrictions on the hours of work of adult male workers and of abolishing increased pay for overtime. In France, overtime up to 60 hours a week was authorised without a special permit, the hours in excess of the statutory normal (usually 40 per week) being paid for at the straight rate. In Great Britain, where the hours of work of adult males are regulated by collective agreements which usually set no limit to overtime provided that the prescribed rates are paid, long hours of overtime were arranged for by mutual consent of employers and workers, generally without any modification in the provisions of the collective agreements. Special Orders extended the statutory limits of hours for women and young persons; after an initial period during which a 60-hour week was permitted, total weekly hours were limited to 57. Measures authorising extensions of hours of work under certain
conditions were also taken in Belgium, Bulgaria, Finland, Hungary, India, Italy, New Zealand, Rumania, and Turkey.

The lessons learned in the last war as to the dangers involved in excessive hours of work, from the point of view alike of the health and safety of the workers and of the maintenance of output at the desired level in respect of quantity and quality, had, nevertheless, not been entirely forgotten; and the results of the prolongation of hours of work that took place immediately on the outbreak of war rapidly directed attention to them.

In Germany (where, owing to the prolongation in hours of work that had already been taking place for some years before the outbreak of war, the effects of further prolongation were probably more immediately evident than in most other countries) a limit for overtime in excess of the normal working day was restored by an Order of 12 December 1939; subsequently, by an Order of 3 September 1940, the payment of time-and-a-quarter rates for all overtime worked in excess of 8 hours per day was restored, the pre-war situation thus being fully re-established.

In Great Britain, the ill-effects of excessive hours of work became most evident after the heroic spurt of June-July 1940 when, in the words of the Minister of Labour and National Service, "owing to the situation in this country following the collapse of France, it was necessary to call upon all those engaged in war production to make an intensive effort by working longer hours to speed up production to the utmost extent". On 23 July 1940, the Minister issued a leaflet drawing attention to the essential necessity of "an adjustment in the present long hours of work". For the guidance of those concerned, the leaflet pointed out that "the maintenance of maximum output on war production is essential. To achieve this the hours of work must be adjusted to prevent tiredness. The continuation of 7-day working with an average working week of between 70 and 80 hours, will quickly cause a rapid decrease in industrial productivity owing to the abnormal strain." The leaflet recommended, for the time being, an arrangement of work by shifts which would give an average working week for the day shift of 60 hours; but, it added, "as soon as the necessary labour force has been acquired and trained, steps must be taken to institute a permanent scheme to achieve the two primary purposes in view which are: (a) a reduction in the working week to the optimum hours, which experience in many manufacturing fields shows to be in the region of 55 or 56 hours; (b) an increase of man-hours and the
productivity per man-hour". A further warning to the same effect as regards the dangers involved in working unduly long hours was given in December 1940 by the Select Committee on National Expenditure, a Committee of the House of Commons, in its Third Report for the Session 1940-1941, which recommended that hours of work should be reduced as soon as possible to those set out in the Minister of Labour’s leaflet of July 1940.

The case of Japan is particularly interesting. Before the outbreak of hostilities in China there was, except for underground work in coal mines, no legislation in Japan restricting the hours of work of adult male workers, though a movement for the reduction of the hours of such workers had been noticeable for some years past. To check the effects of the unduly long hours of work which followed the outbreak of hostilities the Government issued on 21 March 1939 an Order for the protection of workers employed on defence work; this Order, which fixes maximum hours of work on the basis of a 12-hour day, including pauses, applies to adult male workers.

In the United States, the emergency, with its resultant pressure of work for defence purposes, has not prevented the progressive application of the Fair Labour Standards Act of 1938, under which maximum normal weekly hours of work were reduced first to 42 and then from 24 October 1940 to 40. This Act does not restrict the possibility of working overtime beyond this limit, but stipulates that such overtime shall be remunerated at the rate of time-and-a-half. In response to suggestions that the provisions of the Act should be relaxed for defence purposes, spokesmen for the Administration have repeatedly drawn attention to the lessons learnt from experience in the last war. In a statement of policy issued in September 1940 the National Defence Advisory Commission expressed the following judgment: “In view of the urgent necessity for a prompt increase in the volume of production... vigilance is demanded of all those in any way associated with industry lest the safeguards with which the people of this country have sought to protect labour

1 In the spring of 1941, the Works and Buildings Committee of the Ministry of Works and Buildings decided in respect of contracts and jobs in which the Government is interested that the maximum number of hours that might be worked in any week should be 60 and that in principle Sunday work should be discontinued. Dr. H. M. Vernon, well known for his work as an investigator for the Health of Munitions Workers Committee and for the Industrial Health Research Board, tentatively suggests the following maxima in his book published in 1940 on the Health and Efficiency of Munitions Workers: for women, the limits set by the Factories Act, 1937, i.e. 48-54 hours per week; girls of 16 and 17, not more than 48 hours per week; youths of 16 and 17, 48 to 54 hours per week, and perhaps more on light work; skilled men whose work is comparatively light in the physical sense, 60 per week and perhaps rather more; men performing heavy work, 48 to 54 hours per week.
should be unwisely and unnecessarily broken down. It is a fair assumption that for the most part these safeguards are the mechanisms of efficiency. Industrial history proves that reasonable hours, fair working conditions, and a proper wage scale are essential to high production... every attempt should be made to conserve in every way possible all of our achievements in the way of social betterment. But the pressing argument for maintaining industrial safeguards in the present emergency is that they actually contribute to efficiency.” The statement of policy accordingly laid down that “in order that surplus and other unemployed labour may be absorbed in the defence programme, all reasonable efforts should be made to avoid hours in excess of 40 per week”. In a statement issued on 22 October 1940, Mr. Robert P. Patterson, Assistant Secretary of War, explained that the War Department did not regard this recommendation as applying to prevent overtime worked under the Department’s construction programme. “This recommendation is frequently applicable to such supply items as shoes, clothing, blankets, and other articles made commercially where there is much unemployed labour and unused factory capacity. It does not apply in the procurement of aeroplanes, tanks, guns, and munitions, and similar items of armament where facilities are limited and necessary types of skilled labour are scarce. Thus, all the arsenals and many aeroplane factories are now running three shifts six days a week on an overtime basis with the full approval of the Advisory Commission and the complete co-operation of union labour.”

The repercussions of the war have thus varied according to the immediacy of the emergency and the nature of the previously existing law and practice regarding hours of work. In Germany, after a temporary period of prolonged hours, a return has been made to the pre-war limits, but these exceeded those set in most of the other important industrial countries. In Great Britain, where hours of work of adult males are not, generally speaking, limited by law, the Government’s chief difficulty appears to have been to prevent the working of excessive hours which the workers themselves were often prepared to accept. In Japan excessive hours have led to the adoption of legal restrictions on the hours of work of adult males. In France it was necessary to relax the somewhat rigid provisions of the 40-hour week legislation, and this appears to have been successfully accomplished prior to the defeat. In the U.S.A. and in New Zealand, where the 40-hour week legislation was drafted with greater elasticity, few or no special relaxations have been permitted. Meanwhile the movement for legislation to limit hours
of work has by no means ceased and important progress has been made in certain countries, including South Africa and India.

**SAFETY AND INSPECTION**

Equally various have been the repercussions of the war upon the movement for industrial safety. In certain cases major safety legislation which was in contemplation, such as that relating to coal mines in Great Britain and proposed health and safety legislation in Germany, has been postponed, and there have been certain relaxations in existing safety regulations to meet war requirements. On the other hand both belligerent and non-belligerent Governments have become increasingly alive to the necessity of doing everything that the circumstances allow for the prevention of industrial accidents as a measure for the conservation of man-power. Thus in Great Britain the Government, in close co-operation with the Royal Society for the Prevention of Accidents, has organised a scheme for the general training of factory workers in accident prevention. A National Safety Board has also been set up for the coal-mining industry. In the United States the Department of Labour has created a special organisation for the conservation of man-power in defence industries consisting of a National Committee composed of prominent safety experts working in close collaboration with the Federal authorities and furnishing direct assistance, in matters of accident prevention, to plants operating on Government contracts.

Within the war zone the dangers of the black-out and the problems involved in air-raid precautions at mines and factories, and in all centres of intensified war production the engagement of large numbers of inexperienced workers in dangerous industries and operations, have as the Governing Body foresaw in its statement of emergency policy, given a new urgency to safety problems. In certain countries normal progress has continued. Health and safety regulations have come into force in Turkey and a general code of mining regulations has been issued in Iran. In South Africa the safety requirements of the Factories Act have been modernised. A specially interesting feature of the last two years has been the continued development of safety legislation and activities in Latin America. In the legislative field, particular mention may be made of the general safety regulations issued in Ecuador and Venezuela and the detailed Mexican regulations relating to the inspection of ships, including their machinery, boilers, and equipment. In Chile, Cuba, Peru and Uruguay, safety educa-
tion and propaganda of various kinds have been developed on a large scale, in most cases with Government support. The growing interest in safety questions in Latin America is reflected in the adoption by the Second Labour Conference of American States of a resolution urging the preparation by the International Labour Office of a model code of safety regulations for factories. Approved international health and safety standards should also be of great value in Europe when industrial plant has to be reconstructed on a large scale after the war.

Developments in the organisation of labour inspection services have continued. The general tendency to concentrate responsibility for administration in respect of labour questions in a single authority has been illustrated in Great Britain, where responsibility for factory inspection, which has rested with the Home Office since inspection was first instituted over a century ago, has been transferred "for the period of the war" to the Ministry of Labour and National Service; a Factory and Welfare Department has been established in the Ministry, and the subsequent appointment of divisional and local welfare officers, to deal more particularly with welfare arrangements outside the factory, is a particularly significant development. In the United States the passage of the Federal Fair Labor Standards Act in 1938 has led to the creation for the first time of a Federal labour inspectorate, responsible for the enforcement of the maximum hour and minimum wage provisions of the Act. A Federal Mine Inspection Act was approved on 7 May 1941. In the course of meetings held under the auspices of the I.L.O., attention has frequently been drawn to the importance of guaranteeing the competence, impartiality, and zeal of labour inspectors. In a number of American countries steps to improve the status of public officials, including those responsible for the administration of labour law, and to secure a higher standard of qualifications, have been taken or are pending. The adoption of the contemplated international labour convention regarding labour inspection, which the war has made it necessary to postpone, would give a further stimulus to the translation into practical reality of both international and national standards regarding labour questions, and should therefore have an important place in post-war plans to increase the practical effectiveness of the work of the International Labour Organisation.

Social Insurance

Social Security has become the keynote of much current thinking regarding social reconstruction, and Mr. Ernest Bevin, the British
Minister of Labour and National Service, has referred to it as "the main motive of our national life". The building of a human social economy, the prevention of avoidable loss of life and creative ability, the elimination of unjust privation, the assured provision of a decent and worthy livelihood for all: such are the purposes of public policy taking shape more and more definitely everywhere. In implementing these purposes, compulsory social insurance has a vital part to play. Already half a century old it spread between the two world wars to all parts of the earth. To-day the pressure of events has given an impetus to rapid and far-reaching developments in social insurance technique. The importance of substituting for casual social investigations of limited scope systematic surveys which make it possible to replace improvisation by foresight and tinkering by planning is securing steadily growing recognition. There is an ever wider conviction that the individual cannot prevent the hazards with which he is faced in a world of large-scale industrialisation nor can he without danger to the community as a whole be left to support their consequences. There is also a growing realisation that these hazards cannot be adequately provided against while they continue to be treated as separate risks, but must be regarded as an interconnected complex, and that prevention by imaginative and constructive action is far preferable to tardy and sporadic palliatives. Thus there is a general tendency to widen the scope of social insurance schemes. Compulsory insurance was at first limited to the permanent staff of large undertakings, but has already spread to industrial and commercial workers generally. The movement to extend its scope to cover rural workers, which has already given notable results in several countries which are favoured by good communications and a fair distribution of wealth, is growing and has been given a stimulus by the discussions of the subject by the Permanent Agricultural Committee of the I.L.O. In some countries the whole adult population, employed or not and irrespective of trade or means, has been included in a national scheme of social insurance. Family protection has now been introduced into practically all insurance systems in such forms as pension supplements for the wife and minor children of a pensioner, widows' and orphans' pensions, dependants' allowances added to unemployment and sickness benefits, the provision of free medical care for the wives and children of workers, and family allowances supplementing the wage irrespective of the existence of an insurable emergency. The complexity and the intensity of the legislative effort involved is illustrated by the intro-
duction, in the United States alone, before the 43 State legislatures which met in the first half of 1941, of no fewer than 3,000 social security measures.

But despite the progress made, the scope for improvement in the organisation of social insurance remains great. Such improvement presents both technical and financial problems, because social insurance is necessarily costly. Although the expenditure involved is essentially productive, it must nevertheless be paid out of current income. The Office has in preparation a study of present tendencies in social insurance, but no review of the general social field can omit a summary indication of the remarkable developments during recent years.

Continental Europe.

Germany prepared herself for war not only industrially and militarily, but also socially. Between 1933 and 1939 the German insurance system, which dates from the time of Bismarck, was overhauled, improved, and prepared for new tasks. Sickness insurance and its medical service have been extended to all workers employed in industry, commerce, and agriculture and to their families, so that two-thirds of the population, or more than 50 million individuals, enjoy free medical aid and preventive care. Invalidity, old-age, and survivors' insurance, which has been compulsory for forty years for employed persons in all occupations, now embraces independent craftsmen also. Compulsory accident insurance applies not only to industry but to agriculture and covers labourers and small farmers and their families. This highly ramified framework of social services is completed by the social care organisations of the Nazi Party. The system extends to Germans working in territories occupied by the German army.

In France an Act of 14 March 1941 has effected a reform promised several years ago. An allowance fixed at 3,600 frs. a year is payable, irrespective of previous contributions, to former wage earners of 65 and upwards on condition that they give up employment except in agriculture, and is also granted from the age of 60 to workers unsuited for regular employment. The object of this measure is to make available the jobs now filled by elderly or aged workers and induce these to return to the countryside. In order to help the small independent workers, who are excluded from the scheme, the rates of the payments under the general old-age assistance law have been doubled.

In Spain the old-age insurance scheme introduced in 1921 has been modernised. It is now financed by an employers' contribution
of 3 per cent. of wages and a State subsidy, and pays pensions at
the uniform rate of 90 pesetas a month. Since 1940 there has been
in operation a wide scheme of family allowances providing a fixed
subsidy for each child after the first, and the maternity insurance
scheme has been supplemented by marriage loans, free of interest,
and written off as children are born during the early years of
marriage.

In Portugal the People's Institutes, which are centres of rural
life, have since the beginning of 1941 been supplied with additional
revenue. Affiliation is now compulsory for rural workers and far­
mers, from the age of 18 onwards, and the benefits include free
medical aid and allowances for sickness and invalidity. The People's
Institutes also concern themselves with unemployment and help to
organise relief works.

In Switzerland sickness insurance is a highly developed and
State-subsidised scheme, the membership of which includes half the
population. It has undertaken to provide medical care for persons
mobilised in labour service, while the national accident insurance
fund is made responsible for their invalidity and survivors' pensions.

In Italy the pensionable age under old-age insurance is being
gradually reduced from 65 to 60, and the latter figure should be
reached by 1944.

In Bulgaria assistance pensions at the age of 60 have been intro­
duced for peasants who have been engaged in agricultural work
during the 10 years preceding the pension claim, and an autonomous
insurance fund, managed by the occupational organisations of
workers and employers in collaboration, has been established for
workers in all occupations.

In Hungary steps have been taken to co-ordinate the work of the
sickness insurance scheme and of the public health services, and the
campaign against disease has been intensified.

A Bill for the introduction of accident and maternity insurance
has been submitted to the National Assembly in Turkey in fulfil­
ment of an obligation placed upon the Government by the Labour
Code.

In Sweden the rate of old-age pensions has been increased.

In all the countries of Continental Europe legislative and admi­
nistrative readjustments have been made in order to deal with situa­
tions arising from mobilisation, war, and military occupation. Special
measures have been necessary for the direct or indirect victims of
the war: for the wounded, the widows and orphans of soldiers,
injured civilians, war prisoners, and evacuated persons.
The British Commonwealth of Nations.

The social services of Great Britain, which are one of the sources of the national unity that has given the British resistance its incomparable strength, have been rapidly adjusted to meet the requirements of the emergency. From the beginning of the war it was necessary to take urgent measures in the interest of both service men and civilians, and provision was made for the maintenance of the insurance status of men serving in the armed forces, for allowances to their dependants subject to their making allotments from their pay, and for increased indemnities for military war victims and compensation for civilian victims. Since August 1940 the pensionable age for insured women and the wives of pensioners under the contributory pension scheme has been reduced from 65 to 60, and the amount of old-age pensions has been increased by supplements granted by the Assistance Board in all cases where the income of the pensioner, after deduction of certain exempted means, is less than a prescribed amount. The means test for supplementary pensions and unemployment assistance has been modified to make the test of need the personal resources of the applicant instead of the aggregate resources of his household. An Act which comes into force in January 1942 will mean an increase in the rates of sickness and disablement benefits and the raising from £250 to £420 a year of the limit of remuneration which determines the liability of non-manual workers to compulsory insurance. The hospital system has been reorganised on a regional basis; hospital equipment has been improved by the expenditure of public funds; a better distribution of functions between the different classes of hospitals has been achieved; and new facilities for orthopaedic treatment and rehabilitation have been provided. It has now been decided to investigate, with a view to comprehensive remodelling, the three great schemes which, together with unemployment insurance, constitute the framework of the British social insurance system: national health insurance, contributory old-age and widows' and orphans' pensions, and workmen's compensation.

In South Africa the workmen's compensation law has been amended so as to effect an increase of about 35 per cent. in the level of benefits and to introduce compulsory insurance with a State fund.

In Australia increases have been made in workmen's compensation benefits and, in New South Wales, a Bill is pending to set up a pension insurance scheme for miners, with rates of pension considerably higher than those of the national non-contributory old-age and invalidity scheme.
The New Zealand Social Security Act of 1938 is the first measure to provide benefits designed to afford a minimum living standard to all citizens who lose their means of subsistence from any cause, whether it be old age, invalidity, sickness, unemployment, or loss of the breadwinner. An improvement introduced in 1941 is the payment of the family allowances granted under the Social Security Act in respect of every child instead of every child after the first as hitherto.

In Canada an unemployment insurance scheme, which is the first scheme of compulsory insurance to be administered directly by the Dominion, came into operation on 1 July 1941, and covers nearly two million and a half employed persons in all occupations. The Dominion legislation on non-contributory old-age pensions of 1927, as amended in 1931, continues to be administered through the Provinces, to which the Dominion refunds three-quarters of the pensions paid to persons aged 70 and upwards and to blind persons.

The United States.

In the United States the outstanding landmark is the payment of benefits under the Federal scheme of old-age and survivors insurance, which began on 1 January 1940 as a result of the amendment of the Social Security Act in 1939. Benefits are granted to insured persons aged 65 and upwards who retire from insurable employment and to widows and orphans. There is a basic sum which is the same for all insured individuals irrespective of their remuneration or the duration of their insurance and to this sum are added supplements which take account of the worker's average remuneration in excess of $50.00 per month and of the duration of his insurance. Additions are made to the benefit if the beneficiary has a wife aged 65 or if he has children dependent on him. The widow's benefit is fixed at three-quarters, and the child's benefit at half, the pension of the deceased, but the total of the benefit paid to survivors cannot exceed twice the deceased's benefit. As yet, the great majority of the aged population have not been able to qualify for insurance pensions and must in case of need have recourse to old-age assistance which is administered by the States, but of which the Federal Government repays half the cost under certain conditions and within certain limits. The Federal Social Security Act, which also provided for Federal co-ordination of unemployment compensation and of subsidised assistance for dependent children and for the blind, gave a powerful stimulus to State legislation and created a new outlook.
The old-age and survivors' insurance scheme—the only branch administered directly by the Federal Government—has already registered 52 million workers in industry and commerce, agricultural workers and domestic servants being still outside its scope. Further far-reaching developments are in prospect. President Roosevelt in his historic speech of 6 January 1941 gave examples of improvements which are urgently required. "We should", he said, "bring more citizens under the cover of old-age and unemployment insurance; we should widen the opportunities for medical care; we should plan a better system by which persons deserving or needing gainful employment may obtain it." The competent departments are now preparing measures for the extension of old-age and survivors' insurance to agricultural workers, domestic servants, and the self-employed, the addition of invalidity benefits to the old-age and survivors' benefits already provided, the enlargement of facilities for medical care by the introduction of health insurance encouraged by a Federal subsidy, the physical rehabilitation of men called up for military service and found unfit, the physical and vocational rehabilitation of industrial accident victims, and preventive medical supervision and medical treatment for workers in the defence industries and their families.

*Latin America.*

The rate of progress in Latin America has been equally remarkable. In the Latin-American countries demographic conditions and grave public health problems have been the main considerations determining the tempo and direction of social insurance policy. Countries suffering from infant mortality and general morbidity so high that vitality and productive capacity are seriously affected, turn naturally towards sickness and maternity insurance, which makes it possible to bring medical care into the homes of the workers and to exercise preventive medical supervision. More favoured countries where the population is still increasing rapidly and which already possess well organised and diversified public health services are more interested in invalidity and old-age insurance, as a means of attracting the best workers into industry and public utility undertakings and of retaining them in employment during their best working years.

In Argentina, where the second of these policies has been followed, the finances of the national pension funds have given rise to serious concern. This is particularly true of the Railwaymen's Pension Fund, the expenditure of which was, at one time, more than double
its total receipts, so that it was obliged to draw repeatedly on reserves inadequate to cover even the present value of pensions already being paid. The Government is taking steps to relieve the situation with a view to increasing the receipts of the scheme and slowing down its expenditure. Such adjustments, painful as they are, have the merit of substituting for an illusory security that certitude of solvency which is essential in order that an insurance scheme may be in a position to discharge its responsibilities permanently.

In Brazil there has been a great development in pension insurance, which now covers, in addition to the staffs affiliated to the funds of the railways, public utility undertakings, banks, and harbour services, all persons employed in industry and commerce, who are affiliated to two big insurance funds of recent creation. The schemes are all financed by the insured workers, the employers, and the Federal Government, contributing in equal shares. The rates of benefits are adjusted from time to time in accordance with actuarial experience of claims for benefit and with the financial situation of the fund concerned. A firm actuarial supervision watches continually over the solvency of the schemes. Since August 1940 all the funds have been forbidden to grant pensions to anyone under the age of 60 except in case of invalidity, while for commercial workers the pensionable age is set at 65. Sickness and maternity benefits are provided by the pension funds, which furnish medical, surgical, and hospital treatment, preventive treatment, and sickness allowances in cash.

In Uruguay pension insurance has already been extended to all workers in industry and commerce, and the various pension funds have been brought together in the National Pension Institution. At the beginning of 1941 two important reforms were effected: pension insurance was made compulsory for employers also—an interesting and significant development—and the scheme of compensation for industrial accidents and diseases was widened and improved.

In Venezuela the Federal Social Insurance Act, adopted in 1940, introduces compulsory insurance against sickness, maternity, and accident for workers in industry and commerce. The Act is on the point of being applied in the Federal District and the organisation of the insurance institutions is well advanced.

On the Pacific Coast, in Chile, all wage earners irrespective of occupation—industrial workers in the capital, miners in the Andes, labourers on remotely situated farms—are entitled to free medical aid under the the sickness insurance scheme. A network of dispensaries and first-aid posts covers the country, and two-thirds of the Chilean doctors are at the disposal of the workers' insurance scheme. The Chilean Congress has before it a plan for the reform of the
scheme, designed to extend free medical care to the families of insured persons (thereby increasing the population covered by preventive medical supervision from 1.3 to 3.6 million), to make accident insurance compulsory throughout industry, commerce, and agriculture, and to provide under the invalidity and old-age insurance scheme a basic pension having a definite purchasing power and adjusted to the general movement of wages.

In Peru the National Social Insurance Fund began operating in February 1941 throughout the departments of Lima and Ica its newly organised hospitals and dispensaries, rural health centres, and travelling medical service for the rural areas. The health equipment of the country has been enriched by curative and preventive facilities which comply with the latest technical standards, and hundreds of thousands of workers now enjoy free access to the resources of modern medicine.

In Ecuador the National Insurance Institute has reformed the financial structure and benefit arrangements of the insurance fund for wage earners and salaried employees and of the Civil Servants' Pension Fund. Wage-earners and salaried employees will be provided with a well equipped sickness insurance scheme having at its disposal a network of dispensaries and clinics, and the pension system, simplified and rationalised, will grant pensions representing a definite purchasing power.

In Bolivia the Congress has just authorised the construction at La Paz of the first accident clinic of the Workers' Insurance and Savings Fund, and is considering a programme of reform which includes the amendment of miners' insurance against industrial accidents and diseases, the rebuilding on a sound financial basis of the pension funds for railwaymen and journalists, and the introduction of pensions for miners instead of the lump sums provided by the compulsory savings scheme which, although it has been in operation for many years, has not been able to afford adequate cover for the risks to be provided against.

By way of contrast, a compulsory savings scheme providing for the retention of 5 per cent. of the wages of wage-earners and salaried employees was put into force in Paraguay in January 1941 as a means of covering the risks of old age and death and of financing loans for house purchase.

In Colombia, Cuba, and Mexico, which already possess insurance institutions covering certain risks on behalf of limited groups of workers, the establishment of national insurance schemes is being planned; the preliminary actuarial studies are in progress and it
seems likely that legislative measures will be adopted in the near future.

* * *

The above outline will serve to illustrate the universality and strength of the tendency to improve and extend social insurance schemes. The principles on which compulsory insurance is based—the virtue of solidarity, the balancing of income and outgo according to long-term actuarial forecasts, prevention as an essential function, benefits granted as of right and safeguarding the claimant’s self-respect, the creation of specialised insurance institutions, and the participation of workers and employers in their administration—have won general acceptance. They have proved their worth in the most different environments and under the most diverse political and economic systems. The international standards of social insurance which, by co-operation between governments’, employers’, and workers’ delegates, the International Labour Organisation has built up in twenty years of patient effort have lost nothing of their validity: they continue to serve as a guide and as a common measure of progress and technical adequacy. Long experience in circumstances which have been continually changing has shown them to be founded on policies which are both practical and of lasting value. The American Members of the International Labour Organisation, taking these general international standards as a basis, have formulated at the First and Second Labour Conferences of American States a common social insurance programme for the Americas which has given a marked impetus to constructive action in a number of countries. The valuable stimulus which a common programme affords, and the role of the International Labour Office as the depositary of international experience, were further recognised by the establishment at Lima in December 1940, under the joint auspices of the Peruvian Government and the Director of the International Labour Office, of the Inter-American Committee to Promote Social Security.

Social insurance has now become an integral part of the structure of society. It not only affords basic protection for the citizen, but it furnishes dividends in physical vigour, morale, and enjoyment to the individual, and in productive capacity and wealth to the community to which he belongs. Moreover, the reciprocal ties of responsibility which it involves contribute powerfully to social solidarity. It has thus a vital part to play in the building of a world with a fairer future of opportunity and prosperity.
Relations between government, industry, and labour have been profoundly affected by the war. The far-reaching measures which the majority of States have been obliged to adopt, either in order to organise their national economy for war purposes or in order to safeguard their national security, have, as was to be expected, had important effects upon the position of industrial organisations, the methods employed for the regulation of relations between industry and labour, and the roles which management and labour as organised groups are called upon to play in the direction of social and economic life. The effects of the war, though far-reaching everywhere, have been very different in the case of those European countries which have fallen directly or indirectly under the control of the totalitarian powers and in the more democratic countries of the rest of the world.

Continental Europe.

In Europe the attempt made to constitute an economic bloc by the progressive integration of the different national economies of the continent in the German economy has necessarily tended to produce a progressive unification of wage policy and indeed of social policy in general. It is therefore not surprising that in the majority of the European countries relations between government, industry, and labour have been recast on German lines.

It will be recalled that, at the time of the suppression of the employers' and workers' organisations on the coming into power of the National-Socialist régime, the regulation of labour conditions in Germany was entrusted by a law of 20 January 1934 to official representatives of the Government, the Labour Trustees, whose function was to fix minimum wages and conditions of work for the different occupations in each of the economic districts of the Reich. Immediately on the outbreak of war this control was considerably strengthened by an Order of 4 September 1939 which gives full authority to the Labour Trustees to adapt wages and other conditions of work to war requirements, and more particularly to fix maximum wages for all undertakings. The control of wages thenceforth became merely a part of the mechanism of the total control exercised by the State over the national economy as a whole.

Variants of this system have now been applied to a majority of the continental European countries. In the countries and territories
incorporated into Germany—Austria, Sudetenland, Memel, the Free City of Danzig, the annexed regions of Poland, Eupen, Malmédy, and Moresnet, Alsace-Lorraine, and Luxemburg—the regulation of wages and conditions of work is to-day under the direct control of the Reich authorities, which is exercised in practice through the Labour Trustees of the neighbouring German districts. This assimilation of labour conditions to those in Germany has naturally involved the suppression of the employers' and workers' organisations and the abolition of collective agreements.

The regulation of wages and conditions of work in the countries occupied by Germany is inspired by similar principles. So far as information is available it would seem that the procedure of regulation, which has been established by agreement between the occupying and the national authorities, differs from one country to another only as regards details. In general the process which has taken place or is in progress may be described as follows. In the first instance the occupying authorities issue orders stabilising wages and conditions of work as at the time of the occupation, and require any regulations or collective agreements involving the modification of existing wages or conditions to be submitted for their approval before being put into force. At a later stage the control of wages is organised as part of the general control of the economy and a Government department becomes responsible for promulgating, for each industry and occupation, regulations regarding wages and conditions of work which are binding upon all employers and workers concerned. The industrial organisations, in so far as not dissolved or voluntarily in abeyance, have been reorganised under the control of the occupying authorities, and their functions are limited to matters such as social assistance, vocational training, workers' education, the use of leisure, and health and working conditions in particular undertakings.

The sweeping changes which have occurred in continental Europe have not been limited to the occupied countries. There have been equally important changes in Spain and in France in the relations between government, industry, and labour.

In Spain the broad outlines of a new system of industrial organisation were laid down by a law of 6 December 1940, the basic conception underlying which is that every Spaniard who participates in production in any capacity must belong to "a great national syndicalist community" which is under the control of the Phalangist movement. This "community" is organised in national syndicalist centres, which group producers on a territorial basis, and in national trade unions, which are public bodies incorporating in a single
organisation all elements engaged at different stages in the economic process in a specified service or branch of production. A decree of 29 March 1941 lays down that the regulation of labour conditions is a matter for the State, but that the State is to act on the basis of proposals and reports submitted by the national trade unions.

There have been similar developments in France. The central organisations of employers and workers were dissolved by Decrees of 9 November 1940.¹ A new Labour Charter which is to define the position of the industrial organisations is now in preparation. The Chairman of the Committee on Occupational Organisation established by a Decree of 28 February 1941 to prepare for the Chief of State a draft for this Charter is reported to have indicated² that the Charter will exclude the constitution of any general federation of unions to represent labour as a whole and will propose to prevent strikes and lock-outs by arbitration under Government enforcement. Trade union organisation, it appears, has been definitely accepted, but on the basis that the unions are to be limited to particular trades and that disputes are to be dealt with strictly among those directly affected. Every member of the occupation covered is to be eligible for membership, but for the present membership is not to be compulsory. Workers, employers, foremen, technicians, and other salaried employees, are to have separate unions, but all are to meet in a common centre in a joint committee entrusted with investigating and arbitrating all social questions affecting the occupation in its locality. One of the members of the committee is to be a Government commissioner who is to have power to enforce its decisions. Until peace is signed the representatives are to be appointed, but it is contemplated that under the permanent organisation the joint committees will be composed of elected union boards. Above the local unions and committees are to be regional unions and regional joint committees, the regions conforming as closely as possible to the new provincial organisation in France, and in addition there will be national unions and joint committees, from which an appeal may be made to the Minister of Labour. The general organisation of the French economy which has been in progress since July 1940 has been characterised by similar governmental direction and control. A law of 16 August 1940 established in the majority of French industries organisational committees, including representatives of

¹ The bodies dissolved include the Confédération générale du Travail, the Confédération Française des Travailleurs chrétiens, the Confédération des Syndicats professionnels français, the Confédération générale du Patronat français, the Comité central des Houillères de France and the Comité central des Forges. The National Economic Council and Permanent Economic Committee were also dissolved by a law of 20 Dec. 1940.

² New York Times, 10 Avg. 1941.
the wage-earners, which have, subject to the supervision of the Min-

ister for Industrial Production and Labour, extensive powers of
economic and social regulation. French agriculture has also been re-
organised on a corporative basis by a law of 2 December 1940, and a
similar system has been established for sea fisheries by a law of 13
March 1941. A general committee for the organisation of commerce
created by a Decree of 4 May 1941 is to propose to the industrial and
agricultural committees measures for satisfying the needs of con-
sumers, and is to give assistance in the framing and application of
rules concerning distribution and retail prices. The new social and
economic system is to be formulated definitively at a later date in
a new constitution.

In Sweden and Switzerland, the industrial organisations have
maintained their independence, though in Switzerland in particular
the war has had important repercussions on the relations between
government and industry. Amendments to the Constitution designed
to give the Federal Government increased powers over economic
and social questions were approved by the Federal Chambers in
September 1939 but have not yet been submitted for the approval
of the people by referendum. One of the amendments adopted by
the Chambers provided that the Confederation shall have the power
to make binding upon all employers and workers collective agree-
ments and other decisions adopted by industrial organisations or
similar economic groupings. A Decree providing for the exercise of
this power was submitted to the Federal Assembly by the Federal
Council in May 1941.

The British Commonwealth of Nations.

The impact of the war has also had a far-reaching effect on
industrial relations in the English-speaking democratic countries,
but, whereas in continental Europe the trend of evolution has been
in the direction of the progressive subordination of the trade union
movement to the economic and political purposes of the State, in the
English-speaking democracies the trend has been towards the
strengthening of the autonomy of the industrial organisations and
towards a considerable expansion of their functions in every sphere
of social and economic life.

Thus in Great Britain the Government, while possessing full
powers under the Emergency Powers (Defence) Act, 1940, to re-
quisition persons, their services, and their property, has preferred to
rely upon the voluntary co-operation of the industrial organisations
rather than upon compulsion for the purpose of organising the social and economic life of the nation for defence purposes. Both the employers’ and the workers’ organisations have responded fully and there has been a great development in tripartite co-operation between the Government and the industrial organisations, not only in respect of the regulation of wages and conditions of work but also as regards social legislation generally, and as regards the mobilisation of man-power and the organisation of production and distribution. An interesting feature of this co-operation has been the establishment for the duration of the war, on the initiative of representatives of the central organisations of employers and workers, of a National Arbitration Tribunal to deal with labour disputes for the settlement of which there are no adequate voluntary joint arrangements. The Order of 18 July 1940 establishing the Tribunal prohibits strikes and lock-outs unless the dispute has been reported to the Minister and twenty-one days have elapsed without reference of the dispute by the Minister for settlement in accordance with the Order. The Order requires the observance by all employers of terms and conditions of employment not less favourable than “recognised terms and conditions”, which are defined as “terms and conditions of employment which have been settled by machinery of negotiation or arbitration to which the parties are organisations of employers and trade unions representative respectively of substantial proportions of the employers and workers engaged in the trade or industry in the district concerned”. There is provision for the recording, by employers, employers’ organisations, and trade unions, of particulars of trade practices and departures therefrom with duly authorised officers of the Ministry of Labour and National Service.

In Great Britain the industrial organisations have been traditionally opposed to government interference with the regulation of conditions of work. The acceptance of compulsory arbitration by the trade unions is to be explained by their wholehearted determination to forward the war effort by every possible means and also no doubt may have been influenced by the intimate association of the movement in the settlement of wartime social and economic policy. The trade unions are represented on all the principal bodies responsible for organising and controlling war production, and more particularly on the committees which control war materials, prices,

1 Provision is made for the reference to the National Arbitration Tribunal of any question as to the meaning of recognised terms and conditions in a particular case if such a question is reported to the Minister by an employers’ organisation or trade union which habitually takes part in the settlement of wages and working conditions in the trade or industry concerned.
supplies, exports, agriculture, shipping, fisheries, etc., many of which are not merely advisory in character but have considerable executive powers. They thus have an assurance that the interests for the protection of which they are responsible will be safeguarded to the fullest extent compatible with the needs of a nation at war.

In Canada, the scope of the Dominion Industrial Disputes Investigation Act, which had been limited to public undertakings, railways, and mining, was extended by an Order in Council of 7 November 1939 to all war industries. By Order in Council of June 1940, the Dominion Government formulated a series of principles regarding industrial relations which include recognition that workers should be free to organise into trade unions of their own choice, and that collective agreements should be negotiated and should include provision for machinery for settling disputes. A National Labour Supply Council consisting of industry and labour representatives has been established to advise the Minister of Labour. Far reaching extensions of federal authority over labour questions have been recommended by a recent Royal Commission.

In New Zealand strikes and lock-outs and all acts tending to incite or provoke a strike or lock-out have been prohibited for the duration of the war. An Order in Council of 18 July 1940 authorised the Minister of Labour to suspend or abrogate by Order, whenever necessary in the interest of national defence, the provisions relating to conditions of employment fixed by law, award, or agreement, and to substitute other provisions for those abrogated. As in Great Britain, representatives of the industrial organisations sit on numerous bodies such as the Industrial Emergency Council and the Council for Primary Production; they also took part in a conference on economic stabilisation convened by the Government in September 1940.

In Australia, as an emergency measure, the competence of the Commonwealth Arbitration Tribunal, which was previously limited to disputes of an interstate character, has been extended to all labour disputes. The Tribunal has been empowered to declare any agreement, award, or custom, or any clause of any agreement or award to be a “common rule” for any industry in which a dispute has occurred. On the occasion of a dispute it may give an “industry award” applying to the whole of an industry and it may regulate in such an award even questions which were not among those giving rise to the dispute. Both “common rules” and “industry awards” are binding upon all organisations and individuals belonging to the industry covered by the decision. The Tribunal may also, either on its own initiative or on the demand of the Minister of Labour or of
any occupational organisation concerned, make an order interpreting
any law of the Commonwealth which affects conditions of employ­
ment. The Tribunal is thus, for the first time in Australian history,
in a position to regulate wages, hours, and other conditions of work,
throughout the Commonwealth.

*The United States.*

In the United States, where there has also been a notable
extension of Federal authority as the result of a series of Supreme
Court decisions, the membership of trade unions has constantly
increased with the expansion of employment due to rearmament¹
and the practice of collective bargaining has been extended. While
leaving the parties free to regulate wages and conditions of work
by mutual agreement, or failing such agreement by strike or lock­
out, the Government has had to preoccupy itself with ensuring
continuous working in the national defence industries. Hence the
creation by an Order of 19 March 1941 of a National Defence
Mediation Board which is composed of eleven persons appointed by
the President, of whom three represent the public, four the workers,
and four the employers; there are also ten worker, five employer
and three public alternate members. The functions of this Board
are to facilitate negotiations between the parties, to afford machinery
for voluntary arbitration, to appoint arbitrators at the request of
both parties, and generally to take various measures for the pre­
vention and settlement of disputes. Since the proclamation of a state
of unlimited national emergency on 27 May 1941, the President of
the United States has in two cases exercised his power to requisition
establishments in cases in which an industry of vital defence im­
portance threatened to be paralysed by an unjustified strike or
lock-out. Further, the Office of Production Management, the function
of which is to organise the industrial mobilisation of the country,
is jointly directed by a leading industrialist and a leading trade
unionist. The Labour Division of the O.P.M. has a Labour Policy
Advisory Committee drawn from the principal labour organisations
(the American Federation of Labour, the Congress of Industrial
Organisations and the Railroad Brotherhoods). Employers and
workers participate extensively in the work of the principal executive
agencies of the O.P.M., and take part in a number of regional
committees and in a series of defence industry advisory committees
and defence labour advisory committees.

¹Nine to ten million wage-earners are now affiliated to the two central
organisations, the American Federation of Labor and the Congress of Indus­
trial Organizations.
Developments in Asia have been along markedly different lines in India, China, and Japan.

In India the trade union movement was reunited in September 1940 and the Member of the Viceroy's Council for Labour has inaugurated a practice of holding meetings of representatives of the employers' organisations and of the trade unions for the purpose of consultation regarding Government policy on labour questions prior to meetings between representatives of the Government of India and representatives of the Provinces and States. The general policy which has been followed with regard to industrial disputes was indicated by the Viceroy in an address to the Central Legislature on 20 November 1940, when he said that "labour in India has not been without its problems, but owing to the good sense of all concerned there has been no major dislocation of work since the war began, and I believe that Indian labour will continue its substantial contribution to the war effort. When disputes have arisen, the influence of the Government has always been thrown in favour of adjustment and conciliation rather than dictation." Representatives of industry and labour have been included in the National Defence Council which has recently been appointed for the purpose of associating Indian non-official opinion more closely with the war effort. The member for Labour in the Viceroy's Executive Council, as recently reconstituted, is Sir Firoz Khan Noon, who for the last five years has been representative of the Government of India on the Governing Body and at the International Labour Conference.

In China the development of trade unions and the prevention of labour unrest by means of arbitration and conciliation are receiving a great deal of attention from the Government, which appears to have adopted a policy of compulsory membership of industrial organisations.

In Japan there has been a development of Industrial Patriotic Leagues, of which there are reported to be 23,000 with a membership of two and a half million.

Latin America.

There have also been developments during the last two years in the Latin American countries. In Brazil the new corporative organisation provided for in the Constitution of 1934 has been definitely established by a series of regulations promulgated during 1940. In
Chile, strikes and lock-outs lasting for more than ten days are required to be submitted to compulsory arbitration for the duration of the war. The new Cuban Constitution of 5 July 1940 reaffirms the right to work, the right to a minimum standard of life, the right of association, and the rights to strike and to lockout, and laws for the regulation of the rights to strike and to lockout are in preparation. In Mexico limitations have been placed upon the right to strike and to lockout. A strike is to be legal only if its object is legal according to the law and if the decision to strike has been taken by a majority of the workers concerned after due notice and an attempt at conciliation. A strike must be limited to the mere suspension of work, any physical violence or moral pressure being prohibited subject to penalties. The Venezuelan Draft Labour Code of 1938 contemplated extensive consultation of employers' and workers' organisations on the lines provided for in a number of international labour conventions, but this Draft Code has never come into force. The Second Labor Conference of American States adopted a number of resolutions regarding industrial relations and especially regarding the removal of restrictions on the formation of employers' and workers' federations and regarding the formation of advisory tripartite committees and of conciliation and arbitration boards.

* * *

The outstanding conclusion suggested by the foregoing survey is that throughout the world there has been a great increase in organised public control of industry, including wages and conditions of work. The nature of this control has, however, varied widely. In the totalitarian countries and the countries influenced by them, the State has absorbed the functions of the industrial organisations, and the parties concerned no longer have a decisive voice in the determination of their conditions of work and standard of life. The democracies have preferred to enlist the free co-operation of the organised forces of management and labour in making the necessary social and economic adjustments without the sacrifice of fundamental liberties and without prejudice to the rights which the workers have so hardly earned. The challenge implied in this endeavour has been aptly expressed in Mr. Wendell Willkie's remark that "the test in the world today is as to whether political leadership, business leadership, and labour leadership have the quality and the capacity and the character to measure up to these critical times".¹ The delays involved in the democratic process involve an undeniable element of danger in the present world situation, but those delays can be reduced

¹ Speech at Montreal, 25 March 1941.
to a minimum by determined co-operation between the interested parties, and it is the development of such co-operation which affords the brightest hope for the future government of industry on democratic lines.

SOME SPECIAL PROBLEMS

Shipping

No industry is more characteristically international than the mercantile marine. Nor has any industry suffered a greater impact from the war. War conditions have compelled the subjection of merchant shipping to greatly increased governmental control, varying from the requisitioning of the services of the whole available fleet to the United States system of ship warrants giving priorities in respect of shore facilities to ships co-operating in national defence by following approved trade routes and carrying vital cargoes. There have also been important changes in seamen's conditions which may prove to have a bearing on post-war as well as wartime conditions of service.

Pay still varies appreciably from one merchant navy to another, but there is a greater approach to uniformity than existed before the war, though the level of pay and war bonuses in the United States mercantile marine remains high relatively to levels elsewhere. On 20 December 1940 the disadvantages of marked differences in pay were formally recognised in an agreement of the British National Maritime Board (representing the shipowners' and officers' and men's organisations) which, after recognising "that the present position is not satisfactory", provided that a differential payment of £2 per month should be made to officers and men as from 1 January 1941 as a temporary measure. It is not unlikely that this trend towards uniformity of conditions may become more pronounced, since the officers' and men's organisations of British and Allied countries have been brought into very close contact owing to the war and the various Allied Governments have been obliged to work in close contact with one another and with the shipowners' and seafarers' organisations. The concentration of authority over shipping which at present facilitates an approach to uniformity is, however, unlikely to outlast the emergency in its present form and the advantages of greater uniformity are therefore likely to be lost again in the post-war world unless adequate arrangements of an international character are made.
War conditions have also led to the adoption of schemes for ensuring continuity of employment to seamen which may have a permanent effect upon the organisation of the industry. Thus, by an agreement made in London in August 1940 between the Belgian shipowners' and officers' and men's organisations, the shipowners agreed to keep all men in continuous employment as far as possible, and in cases where this proved impossible the Belgian Government agreed to pay an unemployment indemnity of 12s. a day to officers and 10s. a day (with a maximum of 75 per cent. of wages) to men. In Great Britain, a Merchant Navy Reserve Pool was established in May 1941. Every officer or rating ceasing to be employed by a particular shipowner automatically passes into employment in the Pool and continues in receipt of pay, an arrangement which not only ensures the most effective utilisation of the available labour for the manning of ships but also facilitates the granting of leave to men returning home after a voyage. The Pool was set up under statutory authority but is administered by the shipowners' organisation with the co-operation of the officers' and mens' organisations. The Canadian Government has also authorised the setting up of manning pools to provide board, lodging and pay on shore for seamen who undertake to go to sea in any ship to which they may be assigned.

Losses of shipping, the diversion of ships to new routes, and the building of large numbers of new ships have accentuated the importance of the training of crews. Great Britain has been obliged to "comb out" seamen from shore occupations; the United States Maritime Commission has had to undertake the training of many additional men; Canada is instituting training schemes; Norway has made special arrangements in Great Britain and in Canada for training certain classes of seafarers; Egypt has regulated apprenticeship on board ship; and the efforts to develop national merchant marines which are being made or considered by a number of South American States will certainly raise problems of training. The Vocational Training Recommendation, 1939 includes a recital that further special measures may be required in respect of maritime transport, and it may well be that the International Labour Organisation can do useful work in this field, its only contribution in which, thus far, is the Officers' Competency Certificates Convention, 1936.

Compensation for loss of personal effects due to the loss of, or damage to, a ship was provided by legislation or collective agreement in a few countries after the war of 1914-1918. The amount of compensation payable has been increased during the present war in a number of countries (for example, Belgium, France, the Nether-
lands, Norway, and Sweden). The system has also been introduced into the British Merchant Marine. A National Maritime Board Agreement of 19 July 1939\(^1\) provides for compensation for losses due to marine peril other than war risks, war risks being covered by a statutory scheme in September 1939. There may well be scope for an international agreement upon the subject to supplement the Unemployment Indemnity (Shipwreck) Convention, 1920, which has proved of special value to seamen and their dependants during the present war.

Compensation and dependants' allowances in case of injury, death, or detention due to war risks have been made payable either by modifications of existing legislation (as in the Netherlands and Norway) or by new legislation (as in France, Great Britain, Australia, Canada, and New Zealand). In the United States, collective agreements have provided for the taking out of insurance policies by the shipowner in sums of $2,000 or $5,000, according to the zone, for members of the crews of ships travelling through the danger zones.

Adequate provision for the welfare of seamen when in port has become a matter of great urgency under war conditions. In Great Britain the Minister of Labour and National Service set up in October 1940 new machinery for correlating and developing seamen's welfare work, consisting of a national Seamen's Welfare Board, with a Consultative Committee of voluntary organisations, Port Welfare Committees, and a staff of Seamen's Welfare Officers. This machinery, in which the shipowners' and officers' and men's organisations collaborate, is expressly designed to give effect to the Seamen's Welfare in Ports Recommendation, 1936. Attention has also been paid to the welfare of British seamen in foreign ports, notably in the United States and Canada; a central British Merchant Navy Committee has been set up in New York, and clubs and other facilities for recreation have been organised in nearly a score of United States ports; hostels for seamen have been set up in Halifax, N.S., and Montreal. In the case of the Norwegian merchant navy, the majority of whose men, even before the war, often spent from three to six years abroad between visits to their homes, existing welfare arrangements have been developed; the Norwegian Shipping and Trade Mission, which is in charge of all shipping under the control of the Norwegian Government, has appointed in England and the United States Social Committees, on which the officers' and seamen's organisations are represented, to advise it on welfare matters; and there are special Norwegian seamen's clubs

\(^1\)Amended as from 1 February 1940 and again as from 1 January 1941.
Welfare activities in the United States and Canada have been extended also in the case of the Belgian and Netherlands merchant navies. The Maritime Section of the Polish Transportworkers' Union, in cooperation with the Polish Ministry of Labour, has set up two rest-homes in England. The Canadian Government in May 1941 appointed a Director of Merchant Seamen whose duties include the development of welfare facilities. The widespread development of welfare work that has been stimulated by the war should provide a good foundation on which to build for the future. At the first meeting of the Seamen's Welfare Board, Mr. Ernest Bevin, the Minister of Labour, laid great stress on the international aspect of seamen's welfare work and indicated that one of the important problems he desired the Board to consider was the making of reciprocal arrangements with other countries, especially with regard to health facilities, a development which he felt should not be postponed until the end of the war in view of the urgency of the question under war conditions.

Agriculture

In agriculture as in industry and shipping the present world conflict has brought a great extension of State control which has taken varied forms. In Europe this control has been designed primarily to achieve greater self-sufficiency with a view to offsetting wartime interference with agricultural production and imports and meeting the increased demand for raw materials and foodstuffs. Elsewhere its main purposes have been to assure reasonable prices to the producer, to compensate him for the loss of markets, and to dispose of large surpluses in certain basic commodities.

In Europe government control of the use of land has become general on account of the need to increase food production and to make the fullest possible use of domestic agriculture to help meet the wartime deficiency in certain essential industrial raw materials by the production of substitutes. This control is of a far-reaching character and may involve government specifications of the type and amount of crops to be grown by each community or farmer, and the taking over of land poorly cultivated by its owner. Serious efforts have been made to obtain the maximum benefits from the application of scientific methods, the use of agricultural machinery, and the development of technical training, and in certain cases small holdings have been consolidated into larger units more suitable for modern agricultural equipment.
Among the measures adopted to secure the fuller utilisation of available labour for agricultural production may be mentioned regulations permitting a longer working day, the training of inexperienced persons, the use of women and children for farm work, the release of men from military duty during harvesting or sowing seasons, the allotment of detachments of soldiers or other organised units for farm work, the use of prisoners of war in the fields, the importation of farm labour from occupied countries or other foreign countries, and the adoption of compulsory labour on farm work for certain age or class groups.

There have been significant developments in agricultural wages legislation. In Great Britain a national minimum wage has been introduced and employers have been placed under a statutory obligation to pay wages while the workman is ill so long as the contract of employment continues. In the United States the principle of fixing wage rates recognised under the Agricultural Adjustment Act of 1938 for wage-earners employed in the production of sugar cane and beet has been applied with great success, and its extension to all farm labour employed by producers of agricultural commodities who share in Government benefit payments is under consideration. In certain Latin American countries, such as Mexico, Cuba and Uruguay, the principle of minimum wage fixing has been practised for some time already; in others it is rapidly being accepted. The question of wage-fixing machinery for agricultural workers was among those which the Permanent Agricultural Committee considered in 1938 should be submitted to the International Labour Conference at an early opportunity.

There is a close relation between the wage level of agricultural labour and the low profitability of farming in general, the latter leaving a very narrow margin for agriculture to increase, unaided, the earnings of the labour it employs. In a number of countries action has been taken to assure a definite market and reasonable income to the producers of leading agricultural commodities. The outstanding example is the programme of agricultural adjustment and conservation in the United States. It is certain that, without the protection afforded to farmers as well as to consumers by the Ever-Normal Granary programme, and by the system of acreage allotments, loans, marketing quotas, and subsidies which has been applied, farmers to-day would be in a most precarious position. The Australian and Canadian wheat schemes, which provide for a guaranteed price to producers, are similar examples of State intervention. In Central and South America similar policies designed to secure farmers a reasonable income level through price control, pro-
duction planning, and market regulation are applied by various boards or regulatory committees, such as those in Argentina for meat, wheat, and cotton, and those in Brazil for coffee, cocoa, and maté. In some countries assurances have been given to agricultural producers for periods extending beyond the war. The British Government, for instance, announced in November 1940 its decision to maintain the system of fixed prices and assured markets during the war and for at least a year after its conclusion, and to adjust prices to any substantial changes in cost of production.

Some account of the readjustments necessitated by the war in the agricultural countries of the New World and of the difficulties encountered, among which the lack of foreign markets capable of absorbing agricultural production and the shortage of shipping are outstanding, has been given in reviewing the economic background in the preceding chapter. The resulting situation has given a stimulus to new developments in international co-operation in respect of agricultural questions. The co-operative arrangements entered into in June 1941 between the British Government and the Governments of Australia and New Zealand respectively for dealing with the surplus agricultural produce of the two Dominions for the period of the war have already been mentioned, and the action taken by Great Britain to assist Colonial Dependencies in the disposal of export surpluses will be referred to later in reviewing colonial problems. An outstanding example of inter-American co-operation in the field of international commodity control was the signing on 28 November 1940 of the Inter-American Coffee Agreement, whereby a quota system was worked out to allocate the markets of the United States for coffee among the various producing countries of Latin America. Of particular significance in this agreement was the inclusion of the United States, a non-producing country, as one of the signatories. The International Wheat Conference held in Washington in July-August 1941, at which the four leading wheat-producing countries, Argentina, Australia, Canada, and the United States, were represented, together with Great Britain, and which considered the means of avoiding harmful competition, and of establishing an "Ever-Normal Granary" and a large pool of relief wheat for post-war use, is another significant instance of international co-operation to tackle the problem of surplus production. Schemes of international collaboration in respect of agriculture are by no means confined to dealing with production surpluses. The arrangements between Great Britain and the Dominions are also intended to assure a continuous flow of vital foodstuffs to Great Britain. Another instance of co-operation of this kind is furnished by the
joint Anglo-American Food Committee formed in May 1941 as an advisory group to consider how the United States food resources can best be used to aid Great Britain and her Allies, and to frame a general programme of food supply under the provisions of the Lease-Lend Act. The general principle that all commodity control arrangements should be framed and administered with due regard to social considerations and that the representation of consumers and of labour on controlling boards is a valuable safeguard to this end would appear to command ever increasing support.

Parallel with the action taken as a consequence of the war, long-range efforts to improve the conditions of life of the agricultural population have been continued. Many of the problems involved are common to farm labourers, settlers, share croppers, tenant farmers, and small owners, all of whom live and work under similar conditions, whatever their legal relationship to the land.

In a number of countries action has been taken to grant farmers greater security of tenure. In the United States the work of the Farm Security Administration tends not only to help the farmer in distress to stand on his own feet again, but to secure ownership of the land to the man who cultivates it. In Cuba new legislation guarantees to the tenant the right to permanency of use of the land he rents. In Argentina the Act of 21 August 1940 relating to land settlement is believed to be profoundly modifying the agrarian structure of the country by handing over the land to the men who till it. Similar schemes are under contemplation in other Latin American countries and are often connected with important programmes of soil improvement and irrigation. In Mexico, where reform has been actively pursued since 1934, there has recently been a modification of the collective ownership system of "ejidos", and the Presidential Order of 11 December 1940 has caused individual titles to property to be established for the 1,200,000 members of some 14,500 "ejidos" existing in the country. The question of agrarian reform was among the subjects discussed at the Second Labour Conference of American States, which adopted unanimously a resolution requesting the Organisation to investigate the problem of latifundia in the American countries.

Co-operation

The impact of the war upon the co-operative movement has been in some respects comparable to its impact upon the trade union movement. In National-Socialist Germany the opposition to the co-
operative movement culminated in the winding up of all consumers' co-operative societies and the confiscation of their funds and properties under a Decree of 28 February 1941. In the democratic countries, on the other hand, the steady growth of the co-operative movement has continued. In Great Britain the British Co-operative Union, whose membership is now over eight and a half million, has recently adhered to the National Council of Labour. The common interests of organised consumers and labour have also been emphasised in the United States, where both the A.F.of.L. and the C.I.O. have included in their programmes pledges of active support for the co-operative movement. In Sweden and in Switzerland the consumers' co-operative organisations have rendered great services in establishing large stocks of foodstuffs and fuel, in maintaining the quality of distributed goods, and in preventing drastic rises in prices, and have actively collaborated in building up rationing schemes. The most interesting development of co-operative production, the work of the industrial co-operatives in China, has already been reviewed. British co-operators have recently formed an Anglo-Chinese Development Society to promote trading between Great Britain and the Chinese Industrial Co-operatives. On the American continent, and especially in the United States and Canada, the co-operative movement plays an ever increasing part in the marketing of agricultural products and in purchasing on behalf of farmers. In the United States the agricultural marketing and purchasing societies were estimated to have in 1939-40 a membership of more than three million and a total turnover of 2 billion dollars. In Canada co-operative marketing organisations were responsible in 1940 for the handling of 43 per cent. of the grain, 12 per cent. of the total output of dairy products, and 19 per cent. of the total fruit and vegetables; approximately 26 per cent. of the main farm products placed on the market were distributed co-operatively. In the Latin American countries, the co-operative movement has not yet attained the same importance as in the United States and in Canada, but interest in co-operation is steadily growing and is being fostered by the public authorities. Special departments for the promotion, control, and auditing of co-operative societies have been created in Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, and Peru, while during the last twelve months important legislation designed to encourage the development of co-operative societies has been enacted in Argentina, Bolivia, Brazil, Colombia, Mexico, Paraguay, Peru, and Uruguay. Recent Argentine and Colombian legislation attaches great importance to the part to be played by the agricultural co-operative movement in the agrarian structure of these countries.
Colonial Territories

The period immediately preceding the outbreak of war was marked by accelerated progress in the formulation and application of policies designed to raise the standard of living in colonial territories. While the direction and rate of progress varied both as between the several colonial Powers and the individual territories, the information received by the International Labour Office from all parts of the colonial world showed the increasing importance attached to the planning of balanced economic development, the better utilisation of labour power, the raising of nutritional standards, and the improved regulation of industrial relations and conditions of employment.

It seemed at first that the effect of the war would be to retard or even reverse this movement towards the improvement of social and labour conditions. Preliminary measures were taken in the colonies of the belligerent Powers to adapt their economic life to war needs; in some cases labour protection provisions were temporarily amended, with the object of securing greater elasticity; in a few colonies social reform programmes were temporarily abandoned for financial reasons. Nevertheless, a survey of the position up to the spring of 1940 showed that the Governments of most territories, in varying degree and in different ways, and as a result partly of the needs of the emergency, partly of the impetus given to the reform movement before the outbreak of war and partly of the determination to continue reform policies, were proceeding with programmes of social and economic development.

At the same time, the colonial Governments, whether belligerent or neutral, were facing other and serious problems arising out of the state of war: increased demand for raw materials needed for the prosecution of the war and for certain foodstuffs; decreased demand for other products owing to the restriction of oversea trade and consequent contraction or reorientation of production or of trade, and the need to compensate producers for their losses and to make arrangements where possible for the storage of surplus products; need for greater self-sufficiency in the colonies and therefore increasing emphasis on the production of foodstuffs for local consumption and on plans for industrialisation.

After the invasion of the Netherlands and Belgium, the entry of Italy into the war on the side of Germany, and the fall of France, these problems became more acute for many territories and in other ways the situation underwent far-reaching changes. The

1 The term "colonies" is here used to include mandated territories, colonies, protectorates, and other possessions which are not fully self-governing.
Netherlands East and West Indies and the Belgian Congo were cut off from the home countries; the Italian East African colonies and Abyssinia became the seat of military operations and were finally conquered, while large areas of the Italian North African colonies were devastated by war; the French Colonial Empire was divided into territories which continued to support the Vichy Government and territories which rallied to the movement of General de Gaulle; some of the dependencies of the British Colonial Empire, without being to any extent the scene of actual military operations, were increasingly associated with the active prosecution of the war, others were keyed up to greatly increased production of raw materials needed for the war, while yet others suffered severely from the enforced stoppage of their principal exports. It is impossible to measure the extent and even the more immediate effects of these changes on the economic and social situation, but a few indications can be given of some of the main trends.

The development that may have the most important long-term results is increasing industrialisation. Faced with immediate defence problems or with the need to supply themselves as far as possible with goods that cannot at present be imported, such territories as the Netherlands Indies, Malaya, Ceylon, Palestine, the British East African territories, and to a lesser extent the British West African dependencies and the British West Indies, are actively promoting schemes of industrial development. In the Netherlands Indies the bauxite deposits are being developed and aluminium manufactured; the ship-building and munitions industries have expanded; a smelting works and chemical, glass, paper, ply-wood, and textile factories have been established. Malaya is mainly developing its mining and metallurgical industries. Ceylon is carrying out a large hydro-electric scheme, and new industries include the making of ply-wood, tanning and leather, and acetic acid, while other industries are being planned. In Palestine the development of industries by Jewish enterprise has reached the point at which industrial output exceeds agricultural output; prospecting for minerals is being actively carried on; new factories for tin, starch, and glucose have been started; new commercial uses have been found for the part of the citrous crop which cannot be marketed. In East Africa, research is being carried out with a view to the production of fuel substitutes and munitions; power alcohol and diesel engine fuel are already being made in Uganda, and Kenya is developing the manufacture of flax. In West Africa the emphasis is laid on the processing of surplus export crops, and small industries for the manufacture of cocoa butter, chocolate,
candles, and soap have been established. In Jamaica a cement industry is being started and matches and milk products are being manufactured.

One of the weaknesses of colonial development in the past was the concentration of agricultural production on export crops, while the growth of foodstuffs for local consumption has often been neglected. Now in many colonies, under the pressure of necessity, the production of food for the local market is being developed.

A number of colonies, notably the producers of coffee, cocoa, copra, bananas, and citrus fruit, have suffered severely from the curtailment of shipping facilities, and various schemes have been put into operation to assist the producers. The closing of normal trade channels has also led to increased co-operation between the British Government and the Belgian Congo and Free French colonies, while the close relations existing between Malaya and the Netherlands Indies have been strengthened.

Meanwhile, in spite of the war, there has been impressive progress in the field of labour and social reform. The Portuguese Minister for the Colonies has prepared a comprehensive scheme for the social and economic organisation of the peoples of the Portuguese Colonial Empire. In the Netherlands Indies the abolition of penal sanctions has been further extended, the statute labour system has been replaced by a road tax, and the scheme for the colonisation of the Outer Provinces is being continued. In Great Britain, in 1940, a Colonial Development and Welfare Act was passed to give effect to the recommendations of the West Indies Royal Commission which was presided over by Lord Moyne, the present Secretary of State for the Colonies, and included amongst its members Sir Walter Citrine, General Secretary of the Trades Union Congress. The principal effect of this Act, which inaugurated new policies of the greatest importance for the future of the British Colonial Empire, will be to make available from the British Exchequer sums not exceeding five million pounds sterling annually for planned economic development and the maintenance and expansion of certain social services, and a further half million pounds for research. In connection with this decision, the economic and social departments of the Colonial Office will be expanded and two advisory committees (one to deal with colonial development and welfare and the other with research) are to be appointed. In view of the grave situation in the summer of 1940, the application of the Act was postponed, but in 1941 it was decided to proceed as far as possible with its enforcement. In July 1941 the Secretary of State for the Colonies announced that the Colonial Governments were being encouraged to send for-
ward plans of development to be financed under the Act, and that in fact 24 such plans had been approved and more than 100 were to be considered. Striking progress has also been made throughout the British Colonial Empire in the fields of labour administration and labour legislation. Whereas in 1937 there were only seven territories which had special Labour Departments, it was reported at the end of 1940 that special labour administration organisations had been set up in 29 territories. About the same time, the International Labour Office was informed that some 110 laws and regulations, covering 34 different territories, had been adopted in regard to labour questions since the beginning of the war. This legislation covers many different subjects, including measures to apply the indigenous labour Conventions of the International Labour Organisation, regulating employment in factories, providing for the fixing of minimum wages, and providing for the formation and registration of trade unions and the settlement of industrial disputes. An area which has attracted particular attention is the West Indies, where territories under American, British, Dutch, and French control have social and economic problems which are in certain respects similar in character. The establishment of important naval bases in a number of the West Indian Islands is having a considerable effect upon conditions of employment there. Proposed reforms in Porto Rico where the system of land tenure has been under review have also been the subject of a considerable amount of discussion. These far-reaching developments in numerous territories in all parts of the world cannot fail to have great and permanent effects on the economic, political, and social structure of the colonies. The expansion of agricultural production, both for local markets and for export, of handicrafts and of factory industries, the development of social services, and the extension of various forms of self-government of which there are indications in a number of territories, are factors which should have an abiding influence for good in many of the so-called backward parts of the world. They will also create situations and problems which will test in a high degree the wisdom and executive ability of the statesmen and administrators of the future.

The development of international co-operation regarding the economic and social problems of colonial territories can undoubtedly assist in the solution of these problems. The International Labour Organisation has made a contribution in this sphere during the last twenty years through representation on the Permanent Mandates Commission and by the adoption of conventions dealing with some of the most important aspects of the employment of indigenous
labour, mainly in colonies, which have gradually become the basis of regulation of such employment. These conventions, which deal with forced labour, recruiting, written contracts of employment, and penal sanctions, are no more than a first approach to the formulation of international standards of colonial labour policy, and it will certainly be necessary to supplement them in the future, but their provisions should have a place in any colonial charter emerging from the peace settlement, which might well provide for their application to all colonial territories where their provisions are relevant. Another possible line of development is suggested by the extent to which the activities of the International Labour Organisation have tended since the great depression to widen so as to include fuller consideration of certain of the economic aspects of social policy, a subject more fully considered in the second part of this report. It would be natural that this tendency should be reflected in the work of the Organisation relating to colonial social policy, especially in view of the growing recognition of the extent to which social policy in colonial territories is dependent upon development schemes the planning and execution of which involve economic and financial considerations. Regular general or regional conferences for the consideration of social development in colonial territories would seem desirable and might be organised under the auspices or with the co-operation of the International Labour Organisation.
CHAPTER IV

THE I.L.O. DURING THE CRISIS

Guided by the experience of the last war, the Governing Body of the International Labour Office anticipated that one of the effects of a second world war would be to quicken the pace, while frequently deflecting the direction, of social and economic developments throughout the world. The developments recorded in the preceding chapter have proved this anticipation to have been correct and have thereby afforded the fullest justification for the Governing Body’s decision of principle that, in so decisive a period of social evolution, the activities of the International Labour Organisation must be maintained to the greatest possible extent. In this chapter it is proposed to record how the International Labour Organisation has adapted itself to the world crisis, and what it has been able to accomplish under conditions of unprecedented difficulty.

The succession of political convulsions reviewed in chapter I has necessarily had an influence upon the composition of the International Labour Organisation. Germany’s withdrawal from the Organisation, which took effect in 1935, has been followed by that of Italy, taking effect in December 1939, and that of Japan taking effect in November 1940. The Soviet Union has not formally defined its attitude towards the Organisation, but ceased to be automatically entitled to membership on ceasing to be a member of the League of Nations in December 1940. The same is true of Spain, which ceased to be a member of the League in May 1941. During the period under review four States—Chile, Hungary, Peru and Venezuela—have retained membership of the Organisation on ceasing to be members of the League. Nor have political disasters shaken the loyalty to the Organisation of the European countries whose territories have been occupied and whose Governments have been obliged to seek refuge elsewhere. The Governments of Belgium, Czechoslovakia, Greece, Luxemburg, the Netherlands, Norway, Poland, and Yugoslavia have all reaffirmed and have demonstrated in a practical manner their continued attachment to the ideals which the International Labour Organisation exists to serve. All who are
associated with the Organisation, moved by the profoundest sympathy with the peoples of these countries in their present tribulations, inspired by the courage which they continue to show in the common cause of all who value freedom and justice, and conscious of the outstanding roles played by their representatives in the past work of the Organisation, will certainly cherish the fervent hope that it may be possible for the Organisation to make in the fullness of time a major contribution towards rebuilding their social and economic life. No country has contributed more to the International Labour Organisation than France, for long in the vanguard of Europe's liberties and culture. Albert Thomas, "so powerful and magnetic, the manifestation of such a dynamic force", will rank for all time as the creator of a tradition of international statesmanship which constitutes the only basis on which international organisation can be made a living reality. Arthur Fontaine's role as the first Chairman of the Governing Body was of historic importance. To Fernand Maurette, the research work and the publications of the Office owe a lasting debt. If one were to mention the living there would be many further names to be added to the list. All those who as colleagues in a joint international effort have given such devoted service to the Organisation and its work may rest assured that their loyalty is not forgotten. The tradition created by their labours is deeply rooted, and the attachment of the French people to the ideals of the International Labour Organisation is among the things which cannot die.

The changes in the composition of the International Labour Organisation have been reflected by changes in the composition in the Governing Body. Two vacant places among the eight States of chief industrial importance were filled in February 1940 by the selection of Belgium and the Netherlands and at the time of writing there is another place among the eight States to fill.

The impact of the war has made it difficult for the Organisation to arrange representative meetings since the 1939 Session of the Conference, but the policy laid down by the Governing Body before the outbreak of war that every effort should be made to maintain the activities of the Organisation at a maximum level has been consistently pursued. Though the Governing Body was unable to meet at Oslo in September 1939, as had been planned on the invitation of the Norwegian Government, the Chairman issued the formal declaration of the existence of a state of emergency which was contemplated by the pre-war decisions of the Governing Body. The Governing Body's Emergency Committee, consisting of the
Chairman and members of each of the three groups, was thus empowered to exercise the powers delegated to it by the Governing Body seven months earlier. It held two meetings in September and October 1939 and, in the exercise of its emergency powers, elected Mr. Carter Goodrich, representative of the Government of the United States, as Chairman of the Governing Body. The attendance at the October meeting was so encouragingly large that it was decided to hold a meeting of the full Governing Body in February 1940. At this meeting, which was also remarkably well attended, it was decided that the session of the International Labour Conference already convened for June 1940 should be held, if the war situation permitted, and should be devoted primarily to consideration of methods of collaboration between the public authorities, workers' organisations and employers' organisations. But by the time the Conference was due to meet the military collapse of the Western European democracies was approaching its final stages and an adjournment was the only practicable course.

The work done in preparation for the June 1940 Session of the Conference has not, however, been lost. The report prepared on methods of collaboration has been published and, accompanied by a supplement, is now available as a basis for the discussion of one of the questions on the agenda of the Conference now convened. Reports prepared for various technical meetings which have had to be postponed have also been made available for general use by publication. Among these the report on Safety Provisions for Underground Work in Coal Mines deserves special mention. It is estimated that over 15 million men have been killed or seriously injured underground in coal mines in the present century, a figure which cannot but provoke a shudder even from a war-hardened generation. The first volume of the Office report on the subject contains an exhaustive survey of the laws and regulations relating to safety in the principal coal-mining countries, and the second a draft model code of safety regulations for underground work in coal mines which has been prepared by an authoritative committee of experts and which provides all countries with a preliminary codification of the best safety practice drawn from a survey of world experience. Another outstanding publication issued before the transfer to Montreal is the study on the Actuarial Technique and Financial Organisation of Social Insurance, which analyses and compares the actuarial conclusions to be drawn from the operation of compulsory pension insurance schemes in Germany, Great Britain, Italy, Bel-
gium, Czechoslovakia, and France. The last study to be issued from Geneva was a documentary report on *The Compensation of War Victims*.

The events of May and June 1940 made it impracticable to continue to implement from Geneva the Governing Body's policy that the activities of the Organisation should be maintained to the greatest possible extent. The story of the establishment of a working centre in Montreal has been authoritatively told by Mr. Winant in the report which he submitted to the Governments, Employers and Workers of the Members of the Organisation on the occasion of his resignation from the Directorship. Mr. Winant, by his vision and courage, saved the Organisation from creeping paralysis at the most critical moment in its history. For this it will ever owe to him a heavy debt. Equally heavy is the debt of the Organisation to the Canadian authorities, both in Ottawa and in Quebec. Not only did Mr. Mackenzie King, the Prime Minister of Canada, Mr. Norman McLarty, the Canadian Minister of Labour, and the late Dr. O. D. Skelton, for so many years Under-Secretary of State for External Affairs, take a deep personal interest in facilitating the establishment of the Office in Canada, but the Canadian Government, in the midst of all its urgent preoccupations concerning the war, was ready to take all the measures necessary to ensure that the Office should be given its full status and independence as an international institution. The officials of the Departments of External Affairs and of Labour who have assisted in the solution of the innumerable detailed problems which arise in this connection have rendered a notable service to the Organisation and, through it, to the world community. The Office thus enjoys in Canada the same independence from the control of any one country which is ensured to it in Switzerland by the terms of the Modus Vivendi with the Swiss Government. For its material arrangements in Canada the Office owes a special debt of gratitude to Principal Cyril James and the other officers and authorities of McGill University for the generosity with which they provided premises for the Office and placed the resources of the Redpath Library at its disposal. And last but not least the welcome and hospitality extended to the Office by the Canadian people as a whole, by Premier Godbout of Quebec and Mr. Rochette, the Quebec Minister of Labour, and by the citizens of Montreal, should not go unrecorded.

The effect of the establishment at Montreal of the principal working centre of the I.L.O. has sometimes been misunderstood. The Governing Body in April 1939, when attempting to foresee the measures which might be necessary to meet an emergency, con-
templated such a distribution of activities "as would assure the maintenance of the work of the Office and facilitate collaboration between the Office and the Members of the Organisation". The transfer to Montreal fulfils this policy, but it does not substitute Montreal for Geneva as the centre at which all activities of the Organisation will normally be concentrated. For example, the meetings of the Governing Body and of a Conference of the Organisation now arranged have been convened at New York with the full approval of the Government of the United States. The decision whereby the I.L.O. was originally established at Geneva has not been abrogated although at the present time the decisions which control the policy of the Office are taken elsewhere. The Geneva Office has not ceased to function and a small group of officials remains there to maintain contact with continental Europe, to send information from the archives still housed in the Geneva building to Montreal and other centres, and to deal with administrative work concerning the staff whose contracts have been suspended or terminated. Work therefore still goes on at the legal seat of the Office and the traditions and spirit of the Organisation continue to be associated with Geneva. Switzerland has made an inestimable contribution to the life of the Organisation and, as in the days when Wordsworth wrote of the twin voices of the mountains and the sea, she remains a bulwark of liberty in Europe.

Efforts were made to secure the resumption of representative meetings immediately after the opening of the working centre in Montreal but, given the war situation, delays have been inevitable and the Governing Body meeting and Conference to be held in New York in October of this year will be the first representative meetings of a general character convened by the Organisation since the meeting of the Governing Body in Geneva in February 1940.

Meetings of a special character were resumed at an earlier date. The Organisation has now an established tradition of regional co-operation in the Americas, a tradition reaffirmed only a few months before the transfer at the Second Labour Conference of American States which met at Havana in December 1939. The Declaration of Havana expresses the conviction of the Governments, employers and workpeople of the American continent that the "Organisation has an essential part to play in building up a stable international peace based upon co-operation in pursuit of social justice for all peoples everywhere" and includes a pledge of "the unwavering support of the Governments and peoples of the American continent for the continuance with unimpaired vigour of the efforts of the International Labour Organisation to accomplish its high purpose of
achieving social justice”. Another Havana resolution which urged that, if the International Labour Organisation could not meet in Geneva, it should be convened somewhere in the American hemisphere, may be regarded as an anticipation of the New York Conference. Still another embodies a general philosophy of the purpose of economic and financial co-operation among the nations of the American continent in the affirmation that “such co-operation cannot bring about any stable prosperity unless it takes the form of a sustained effort to raise the standard of life of the masses throughout the Western Hemisphere”. Valuable technical resolutions regarding social insurance, the employment of women and juveniles, and migration, were also adopted at Havana; the resolutions concerning migration embody conclusions regarding the organisation of immigration and colonisation institutions and reaffirm the interest of the American States in the establishment by the Organisation of a Permanent Committee on Migration for Settlement which will have “a constructive part to play in the methodical and rational resumption of migratory movements after the war”. There was therefore a solid foundation on the basis of which the work of the Organisation in the Americas could be extended immediately after the establishment of the working centre in Montreal.

The first development occurred at Lima on 12 December 1940 on the occasion of the inauguration, under the joint patronage of the President of Peru and the Director of the International Labour Office, of the workers’ hospitals erected under the Peruvian social insurance scheme; on this occasion resolutions were adopted establishing under the auspices of the Organisation an Inter-American Committee to Promote Social Security. The Chilean Government has since invited this Committee to meet at Santiago-de-Chile early in 1942, and the Canadian Government, which was not represented at the Lima meetings, has agreed to nominate a member of the Committee.

There is also scope for co-operation under the auspices of the Organisation between groups of American countries which have special problems in common. On 31 January 1941 an experimental ‘informal gathering of representatives of the United States and Canadian Governments and employers’ and workers’ representatives was held in the Montreal Office to discuss problems of the organisation of labour supply for the purposes of national defence. At the request of those present a second meeting was held on 12 April and a third is intended to be held before the date of the New York Conference. The report prepared as a basis for the discussions of the second meeting was published by the Office in June under the
title *Labour Supply and National Defence*. The third meeting is to consider labour conditions in defence contracts and a report on this subject has been prepared by the Office. There may well be scope for the development under the auspices of the Organisation of permanent arrangements for this type of co-operation whereby groups of States with common problems have recourse to the Organisation as a convenient agency for pooling their experience and drawing upon the experience of the rest of the world.

Advisory missions despatched at the request of Governments to make available to their officials and legislatures the comparative information assembled by the Office, and to give technical advice based on this information, have played a large part in the development of the relations of the Organisation with the Americas. Despite the shortage of staff qualified for this highly responsible work, this part of the activities of the Office has been well maintained, especially in the field of social insurance. Since the Havana Conference Mr. Stein, Chief of the Social Insurance Section, has made three journeys giving advice and assistance on social insurance questions in Bolivia, Chile, Colombia, Ecuador, and Peru, and Mr. Tixier, who before his appointment as Assistant Director was Mr. Stein's predecessor as Chief of the Social Insurance Section, has given advice regarding the introduction of a social insurance scheme in the course of a visit to Mexico. The Mexican Government has recently, after consultation with the Office, appointed to advise it regarding the actuarial basis of its proposed scheme Mr. Schoenbaum, who has been for many years a member of the Correspondence Committee on Social Insurance and who has recently, at the suggestion of the Office, served in Ecuador in a similar advisory capacity with great distinction. In Canada assistance in connection with inventories of labour supply and the introduction of unemployment insurance has been given by Mr. Waelbroeck, Chief of the Employment, Unemployment, and Conditions of Work Section, and by Mr. Stein, and another member of the staff, Mr. Couper, has been lent and subsequently seconded to the Dominion Department of Labour. Mr. Wright, of the Economic Section of the Office, has been lent for a period to the Division of Defense Housing Coordination of the United States Government. Mr. Blelloch has visited Bolivia and submitted to the Bolivian Government recommendations regarding its programme of labour legislation, and was also able, during a short visit to Paraguay, to establish for the first time direct contact between the Office and the Paraguayan Department of Labour. Mr. Guye has visited Argentina, Brazil, Chile, and Uruguay and consulted with the competent officials there with a
view to securing greater comparability in labour statistics. The advisory work of the Office, though most highly developed in the Americas, has never been restricted to the Americas. Shortly before the outbreak of war Mr. Stein, accompanied by Mr. Stack, visited London to give evidence on behalf of the Office before the Royal Commission on Workmen's Compensation and the Office has recently been requested by the British Minister without Portfolio, who is responsible for the study of reconstruction questions, to submit data for use in connection with the projected unification of the British social services after the war.

In addition to advisory missions such as those mentioned above, advantage has been taken of the opportunities afforded by a considerable number of conferences and study meetings to make the work of the Organisation better known in North America and to obtain by direct contact a better and fresher knowledge of social conditions in the United States and Canada than could be acquired by the study of documents in Geneva. Thus the Office has been represented at the annual conventions of the American Federation of Labour and of the Canadian Trades and Labor Congress, at the Seventh National Conference on Labor Legislation convened by the U.S. Secretary for Labor, at meetings of the Canadian Association of Administrators of Labour Legislation, the International (United States and Canada) Association of Public Employment Services, the (United States) National Conference of Social Work, the (United States) National Safety Congress, the Silver Jubilee Congress of the Cooperative League of the United States, etc., etc.; at all these and at many more specialised gatherings the Office representatives have been warmly welcomed and formal tribute has frequently been paid to the work of the Organisation. The contacts of the Office with the co-operative movement, which are valuable as a link with the organised consumer groups, are being kept in being so far as possible and, in the Americas, extended, and the bulletin of Co-operative Information continues to be issued in English, French and Spanish.

The continuity of the principal periodical publications of the Office has been maintained. The weekly Industrial and Labour Information was merged with the monthly International Labour Review in August 1940. The Review appears regularly in English, French, and Spanish editions; the Spanish edition has been enlarged and since October 1940 has been identical with the English and French editions; publication of a German edition ceased in 1940. A volume consisting chiefly of reprints from the Review was published with a Preface by Mr. Winant under the title Studies in War
Economics shortly after the opening of the Montreal working centre; one of the articles contained in this volume, a study of the effects of war upon the relative importance of producing centres in the textile industry, was prepared to give effect to one of the resolutions adopted at Havana and has received considerable publicity in the specialised press; other articles deal with economic organisation for total war, the Keynes plan for compulsory savings, relative wages in wartime, the control of food prices and the place of housing in war economy. Other reprints which have attained a wide circulation are The Rowell-Sirois Report (a summary of the recommendations on labour questions of a Canadian Royal Commission on Dominion-Provincial Relations), Labour Policy in Germany under the Nazi Régime, Organisation for Seamen’s Welfare in Great Britain (an article written on the basis of information supplied by representatives of the British Shipping Federation and National Seamen’s Union), and Building Social Security (an attempt to analyse a concept which is playing an ever-increasing part in current thinking regarding social reconstruction). A very full and able study of the constitutional aspects of the participation of the United States of America in international labour legislation has recently been published as the first of a series of studies of the problem of social legislation in federal states which are being prepared in pursuance of the decision of the Emergency Committee that the Office should continue the study of this subject requested by the International Labour Conference in 1939. Every effort is being made to publish in the Industrial and Labour Information section of the Review the fullest available information regarding labour conditions throughout the world, including continental Europe, and the information published is widely reproduced in the daily press and elsewhere. The Office, conscious that its publications have a distinctive international character built up over twenty years which has given them a world-wide reputation for the strictest objectivity, is straining every nerve to maintain this distinctive character in order that they may continue to furnish Governments, employers and workers with information upon which complete reliance can be placed. The publications of the International Labour Office will never be allowed to become an instrument of the national policy of a single State.

No publication of the Office is more valuable than the Legislative Series in which are published the texts of laws and regulations regarding labour questions from all parts of the world. The predecessor of the Legislative Series, the Bulletin of the unofficial
Basle International Labour Office, continued to be published throughout the last war; it is hoped to maintain the continuity of the Series now by the issue of the English and French brochure editions at quarterly intervals. *The Industrial Safety Survey* is also continuing to appear in English as a quarterly publication and publication of the Supplements to the *Occupation and Health* Encyclopaedia has been resumed. The *I.L.O. Year-Book* and the *Year Book of Labour Statistics* both appeared in 1940 and future volumes are in preparation.

As already pointed out, Montreal is by no means the only centre from which the Organisation continues to operate. Apart from the small group of officials remaining in Geneva, the Washington and London offices have been strengthened and the Delhi and Shanghai offices maintained. The work of the London Office, where Mr. Burge and his staff remain at work, although the premises occupied by the Office have had to be abandoned, has assumed greater importance than ever before. The London Office has become the Office's normal channel of communication with all the Governments established in Great Britain, as well as with the British and allied trade union movements and with the British, Belgian, and Dutch colonial authorities. The London Office also assumed responsibility for the preparation of a report on *The Labour Situation in Great Britain* which has been published from Montreal. The Office's network of correspondents in a score of other countries has been maintained and extended, and in certain countries members of the central staff have been temporarily detached to act as special representatives of the Office. In all these centres the work of collecting, digesting, and studying information continues; requests for information from Government services, employers' and workers' organisations, and private individuals and bodies still flow in unceasingly; and by contributing their share to the planning and achievement of the future work of the Office its officials and correspondents of 39 different nationalities are maintaining its international character and tradition as a foundation on which to build in the days to come. Among studies now in hand the results of which it is hoped to publish during the current year are studies of new developments in social security, of the employment of women in defence industries, of nutrition, and of housing policy, while work is also being done on colonial labour questions, maritime questions, co-operation and agriculture, wage policy, family allowances, safety problems in special industries such as petroleum production, statistical problems, etc. In all these studies the Office is endeavouring to relate pre-war experience to wartime requirements and experiments and post-war plans.
It will no doubt be agreed that the above record shows that the Office, left largely to its own devices for eighteen months of unparalleled storms and stress, has not been untrue to its trust. Through successive difficulties it has drawn strength from the encouragement afforded by the assurances of renewed support repeatedly given by Governments on occasions such as the opening of the working centre at Montreal, the submission for approval of the 1940 budget, and my assumption of Office as Acting Director at the time of Mr. Winant's resignation. It is clear that, as the Governing Body foresaw in the statement of emergency policy which it issued in June 1939, Governments attach importance to the continued operation of the Organisation chiefly as an instrument of co-operation between Governments, employers, and workers, and in view of its potential contribution to world-wide social reconstruction. In order that these purposes may be fulfilled it is essential that the system of regular representative meetings should be resumed. The Office has been able to act for a season as the custodian of the traditions of the Organisation, but it would entirely lose its character if its work as an information centre and its advisory and research work were to be divorced from the work of the organs through which policy is formulated by the responsible representatives of the peoples of the world, acting through their Governments and their employers' and workers' organisations.

The work of the Organisation is not to be measured only in terms of studies prepared by the Office, nor even in terms of discussions and agreements reached in tripartite meetings. The ultimate objective and the final test of the value of what has been achieved is to be found in the effective application of legislation or standards which are derived from these other activities. It has always been the chief characteristic of the International Labour Conference that it has been not merely a forum for discussions between the parties directly interested in industry, but also an international quasi-legislature which adopts by a two-thirds majority conventions and recommendations which the Members of the Organisation are required by its Constitution to submit for the consideration of their national legislatures. The ratification of a convention normally involves a commitment for a period of ten years, and it is therefore natural that relatively few new ratifications have been registered during the period under review. The registration of new ratifications has not, however, by any means ceased, and though in certain cases countries having newly ratified conventions have suffered military occupation, in other cases substantial progress has been achieved. The 1939 Director's report mentioned the ratifications registered prior
to 15 March of that year; the total then stood at 839. During the remaining months before the outbreak of war a further 20 ratifications were registered by Afghanistan, Denmark, Egypt, France, Great Britain, Ireland, South Africa, Sweden, and Switzerland. During the two years which have elapsed since the outbreak of war the total has risen from 859 to 882, new ratifications having been registered by Australia, China, Egypt, Iraq, Iran, Mexico, the Netherlands, New Zealand, Norway, Sweden, and Switzerland. Action with a view to further ratifications is being taken at present in a number of countries. One recent illustration of the current value of the conventions is the adoption by Switzerland of several of the maritime conventions as standards for observance on the sea-going vessels which have been acquired to meet the country’s wartime requirements. Among the conventions which have come into force since the outbreak of war, or will shortly do so, are the Recruiting of Indigenous Workers Convention, 1936, the Safety Provisions (Building) Convention, 1937, and the Convention concerning Statistics of Wages and Hours of Work, 1938.

The value of ratifications is to be measured by the extent to which they are followed by effective implementation. The time has not yet come to attempt to assess the impact of the war upon the network of obligations relating to labour questions which was built up during the inter-war period, but it will be possible to assess this impact in due season through the machinery for the examination of annual reports on the application of conventions which is being kept in being to the greatest possible extent. A meeting of the Committee of Experts for the examination of the annual reports was last held in Geneva from 29 April to 2 May 1940. The number of reports received at the date of this meeting was 597 out of a total due of 766; due allowance being made for the heavy burdens imposed on Governments by the war and the delays in transit caused by war conditions, the high proportion of reports received was very gratifying. The reports for the period 1 October 1939 to 30 September 1940 are now, after unavoidable delays, reaching the Office in increasing numbers. The system of international supervision of the fulfilment of the obligations assumed by the ratification of conventions on the basis of an expert examination of annual reports by Governments followed by discussion in a tripartite conference where the interested parties are represented has been one of the most successful innovations introduced by the International Labour Organisation. It is now a tried and tested part

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1 This total included 80 due from States which had already withdrawn, or given notice to withdraw, from the Organisation.
of the machinery of international co-operation in respect of labour questions, which will have a large part to play in the future development of the work of the Organisation. At the appropriate time it will be necessary to review the whole question of the effect of the world upheaval upon the obligations built up so laboriously during the last twenty years and to take whatever steps may be called for to define the position for the future.

Though the impact of the war upon the obligations and standards evolved during the last twenty years cannot yet be assessed, or even divined, it is clear that the past achievements and endeavours of the Organisation are the natural starting point for the discussion of its future possibilities, responsibilities and policies. For this reason the Office is on the point of publishing, under the title The International Labour Code, 1939, a codified and annotated edition of these obligations and standards. This volume, which was conceived and has been prepared by the Legal Adviser of the Office, Mr. Jenks, includes a codified text of the substantive provisions of all the conventions and recommendations, which have been arranged systematically by subject matter for the first time. It also comprises a classified collection of the numerous resolutions, conclusions, and reports adopted by the International Labour Conference, and by the varied special, technical, and regional conferences and committees which have met under the auspices of the Organisation; hitherto no collection of these important texts existed. It is believed that the volume, apart from its value as a work of permanent reference, may be serviceable to those who may be called on to make detailed plans for post-war social reconstruction, national and international.

The picture of how the International Labour Office has adjusted itself to the varying circumstances of the last two years would be seriously incomplete without some reference to finance. The extent of the work which the Office can undertake depends on the financial support available, and during the period under review the financial problem has been a constant and at times a harassing pre-occupation.

When the 25th Session of the Conference met in Geneva in 1939, the reduced budget adopted by the Governing Body for 1940 amounted to 9,080,000 Swiss francs, a sum which Mr. Winant in his Director's Report described without hesitation as being "inadequate to enable the Organisation to meet the calls which are made upon it".

A reduction on the 1939 budget of over one million francs had been made, partly in view of the uncertain political situation but mainly because it was no longer possible to count on revenue from arrears which had been almost completely consolidated, or on surpluses such as had in the past been available to meet deficits.
Political events in the months succeeding the Conference, culminating in the outbreak of war in September, made it necessary to review the financial situation once more. The budget for 1940 was reduced to 7,908,000 Swiss francs and in view of the uncertainty of full collection a special fund of 1,484,600 Swiss francs was provided by Member States. In an admirable spirit of loyalty to the Organisation, all members of the staff agreed to make a voluntary contribution on their salaries according to a graduated scale running from 3 to 30 per cent. With these additional resources at its disposal, the Governing Body felt it could safely plan its expenditure in 1940 on the basis of approximately 86 per cent of the reduced budget.

The events of April, May, and June 1940 destroyed the basis of all these calculations, and as one by one the States of Western Europe were overrun, the financial situation and outlook became more dangerous and the necessity for urgent action imperative.

The problem which had to be faced was no easy one. No further expenditure of reserves could be contemplated, for—quite apart from the difficulty, and indeed the impossibility, of securing the necessary decisions for that purpose—practically the whole of the remaining reserves were required in order to permit the League and the I.L.O. to respect their obligations. It was equally out of the question to attempt in the midst of an unparalleled crisis to initiate some new system of supplementary credits whereby additional resources could be obtained. The most that could be hoped for at that time was that in spite of their difficulties those Member States who were able to do so would continue to support the Organisation by the payment of their contributions. In these circumstances the only possible policy was to reduce expenditure to the level of the anticipated revenue.

This is the policy which has been followed. The expenditure budget for the current year has been reduced to 4,208,340 Swiss francs which, account being taken of the sums provided elsewhere in the budget for the restoration of deficits and working capital, requires no increase in the contributions of Member States. Financial administration is being continued on the principle of adjusting expenditure to actual income so far as reasonably foreseeable.

These successive reductions in the budget have been possible only by making extremely drastic reductions in the staff. As the greater part of the normal I.L.O. expenditure consists of expenditure on

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1 Of this sum 1,200,000 Swiss francs was furnished by League members through the League's financial machinery and a pro rata sum by the Members of the Organisation which are not members of the League.
staff, there is no other way of making reductions when reductions become imperative. The dispersal of large numbers of trained international officials is in itself a severe loss for the Organisation and in many cases a disaster for the individuals concerned. Many of those whose services had to be dispensed with possessed qualities of intelligence and character which in their own countries would almost certainly have led them to positions of influence and even of eminence. They had made the choice of a career in international service inspired by a devotion to high ideals and they had developed an admirable tradition of loyalty to the institution which they served. As delegates to meetings of the Organisation know, they were unsparing in their efforts and their work was performed with the enthusiasm of men and women believing in a great cause. It can be well imagined therefore that the necessity for a drastic reduction in staff involved difficult and disagreeable decisions. Although the existence of the pension fund for established officials and a system of indemnities approved by the Governing Body fortunately meant that in most cases acute financial hardship could be avoided, the abrupt dispersal of this international staff has its place among the innumerable minor tragedies of the war.

No other course however was open, and with the reductions thus made in its expenditure the Office has been able to meet all its obligations up to the present, and to envisage the future not indeed without anxiety, but with assured confidence that if the support which has so far been forthcoming is maintained it will be able to survive as an effective instrument however long the crisis may last. It has been possible to keep experienced officials in practically all the main fields in which the Organisation has been active. The Office can therefore maintain for the present, with the help of the network of correspondents in different countries, services to Member States not greatly different in their immediate utility from those which were previously rendered. But the services which the small staff at present working for the Office are able to render to Governments are furnished at the expense of neglecting for the time being the steady building up of what may be called the I.L.O.’s technical capital. Where only one expert now replaces half a dozen it is impossible for him at one and the same time to go on mission in order to advise a particular Government at its request on problems which are within his competence, and to be collecting, analysing and classifying information on developments in his field all over the world. The technical services of the I.L.O. are therefore living on their intellectual and technical capital, and this, though a necessary and inevitable adjustment to the circumstances of the crisis, is not a
process which can be continued indefinitely. In a formative period of world-wide social and economic change of unprecedented rapidity the dangers it involves require no emphasis.

It should, therefore, be clearly understood that the figures for the 1942 budget, which is based on the same policy as that for the current year, represent an absolute minimum. With the resources which such a budget may in the light of recent experience be expected to produce, the Office can continue to render services on the present scale and its essential cadre can be maintained ready for future expansion. If substantially smaller resources should be forthcoming on the basis of the present budget, those Member States which attach importance to the I.L.O. and which are able to give it financial support must be prepared to shoulder a somewhat heavier financial burden unless they wish the present activities to shrink to such a degree that it will lose its potential usefulness for the future. Moreover, the Organisation cannot on the basis of its present budget make a contribution to the international planning of future social reconstruction on the scale which the Governments and peoples of its members rightly expect of it. As soon as the stage is reached at which it is thought that the Organisation can usefully extend its reconstruction work a very considerable increase in its financial resources will be necessary. On the other hand, looking back on the troubled history of the last two years, on the immense catastrophe in Europe, on the economic storms and stresses resulting from the titanic struggle raging over three continents and across the Atlantic almost to the shore of the Western Hemisphere, the steady and loyal financial support which has been afforded to the Organisation by countries engaged in a life and death struggle and even by Governments which have been driven into exile and are faced themselves by the gravest financial difficulties, leads to the heartening conclusion that support for the I.L.O. has remarkably strong and enduring roots and justifies the hope that considerably greater financial support will be forthcoming without delay as soon as the Organisation is called on to play a major role in reconstruction planning.
PART II

FUTURE POLICY

The beginning of this Report has described how the 25th Session of the Conference went steadily on with its task on a technical agenda, knowing in its heart that much if not all of its work would serve no immediate useful purpose if war should supervene. Some may wonder whether we are not now faced with a similar situation. The war is not yet won. Mr. Churchill warns that its inevitable hazards may still hold in store incalculable developments. In these conditions, the energy and attention of those most concerned must necessarily be devoted to the problems involved in production and defence to the exclusion of all matters of secondary importance. Not only is peace not in sight, but we cannot foresee either the severity or the extent of the destruction of life and property which must ensue before armed conflict is terminated. This being so, is it not premature to embark on any detailed discussion of the tasks or methods of reconstruction and the part which the International Labour Organisation might have therein?

To any such doubts there is a twofold and conclusive answer. In the first place such a discussion has already begun and has progressed far beyond the academic plane. Even in Great Britain, constantly exposed to the grim realities of aerial bombardment and with the threat of invasion ever present, where the maximum mobilisation of all resources is required for the conduct of military and naval operations in half-a-dozen different theatres of war, a member of the War Cabinet, Mr. Arthur Greenwood, has been entrusted with the co-ordination of plans for reconstruction, and discussion of them is not only welcomed but considered by public opinion as urgent. And secondly, and more fundamentally, the new character and implications of war as we know it have made social policy a central preoccupation both because of its immediate relevance to defence and because it is ultimately at the core of the issues which the war will decide. No country concerned with building up its defence can afford to ignore the social measures taken by Germany on the one side and Great Britain on the other which
have been briefly described earlier in this Report. No country can ignore the social elements in the process whereby Germany plans to consolidate her conquests and which if put into effect must profoundly affect social and economic conditions elsewhere. It is therefore none too soon for the International Labour Organisation to survey the general principles and tendencies which are already apparent.

**THE EMERGENCE OF THE SOCIAL OBJECTIVE**

At the outset of such a survey what is most striking is the difference in the situation as compared with that of 1917 or 1918. At that time, public interest was almost wholly concentrated on the political aspects of the peace: the Fourteen Points, for instance, contained no allusion to social questions. There was, it is true, frequent mention of social objectives in public discussion at various stages. But they were usually vague in character, often sentimental in inspiration, and seemed to be based on the illusion that after the war there would be a return to pre-war conditions of prosperity in which they would be attained in great part by the normal resumption of progress. Detailed discussion of social problems was pursued almost exclusively by organised labour and was directed almost entirely to those questions with which that movement was most intimately concerned, namely conditions of work. On these questions representative meetings of workers, both national and international, did put forward considered programmes. But the declarations of the American Federation of Labor and of the Leeds Conference of the International Federation of Trade Unions, for example, naturally reflected immediate trade union preoccupations and called for international action at a Peace Conference on a list of reforms mainly industrial in character. So little, however, did these demands attract general public attention that when Mr. Clemenceau announced at the first Plenary Session of the Peace Conference that international labour legislation was one of the three questions to which immediate consideration would be given, the assembled journalists were utterly bewildered and the press officers of the different delegations were besieged with enquiries for enlightenment and explanation.

To-day the programme is far wider both in scope and in origin. It covers not the comparatively narrow domain of conditions of work but the infinitely more extensive area of conditions of life. It has its origin not in the demand of one section of the community for the satisfaction of a series of claims by
concessions to be made by another section, but in a widespread conviction that aims at a better organisation of the life of the community as a whole in the interest of the community as a whole. And it has progressed beyond a general aspiration. It has become a policy adopted and authoritatively proclaimed by Heads of States and responsible Ministers, as one of their central political objectives. President Roosevelt’s “freedom from want” defined as “a constantly increasing and widening standard of living” and taking equal place with the other three fundamental freedoms; Mr. Ernest Bevin’s declaration that the war is being fought to secure “economic security”; Mr. Eden’s insistence on the same theme and his pronouncement that Great Britain would seek its implementation by international action; the resolution of the Governments of Great Britain, Canada, Australia, New Zealand, South Africa, Belgium, Greece, Luxemburg, the Netherlands, Norway, Poland, Yugoslavia, of the Provisional Government of Czechoslovakia, and the representatives of the Free Frenchmen organised under General de Gaulle, declaring that they will work together to secure a world in which “all may enjoy economic and social security”; all are evidence of a tendency growing steadily more defined. How largely and how dominantly the social element now figures in declared policy for the post-war period is confirmed by the joint declaration of the President of the United States and the Prime Minister of the United Kingdom which includes among the common principles on which they base their hopes for a better future of the world the desire “to bring about the fullest collaboration between all nations in the economic field with the object of securing for all improved labour standards, economic advancement and social security”, and proclaims the hope of establishing a peace “which will afford the assurance that all the men in all the lands may live out their lives in freedom from fear and want”.

This fundamental idea—namely, that the objective of economic policy should be an improvement in general conditions of life—also finds expression in one form or another in countries not directly involved in the war. In Ireland, Mr. Sean Lemass, Minister of Economic Defence, has stated that “in laying plans for post-war reconstruction the primary aim must be so to organise ourselves and the national resources at our command that poverty and all the social evils that arise from it shall be eliminated and no other aims can have priority over that”. In Argentina and Brazil recent legislative programmes or measures centre on economic advancement and steadily improving living standards. In other Latin American countries authoritative declarations follow the same theme. President Penaranda of Bolivia has announced that his policy is “to
raise the standard of life of the workers whatever sacrifice may be involved to secure this result"; President Prado of Peru has enunciated a detailed policy to ensure prosperity and security in the workers' homes and "the triumph of social justice"; President Medina of Venezuela seeks to establish the social life of his country "on the basis of justice, peace, security, and liberty"; President Santos of Colombia aims at protecting the citizens of his country from "the hardships of insecurity"; President Aguirre Cerda of Chile declares that "the human capital of the nation" must be "fully protected and constantly improved"; President Batista of Cuba defines as one of the objectives of his policy "to guarantee to the worker the elements of security".

All these citations of recent date\(^1\) show how widespread is the conviction that concern for the economic security of the citizen must be a central point of policy and how completely it has been accepted by those responsible for the government of the peoples of the world. This coincidence of view as between the European and Dominion Governments involved directly in the war and those of the American continent who have been less directly affected by it is significant. It indicates that the general policy which it expresses has a wider foundation than the obligation recognised by the belligerent Governments in the war of 1914-1918 towards their workers whose sacrifices in the armed forces and in the production of munitions were held to entitle their claims to special consideration. Not only does the principle now find almost universal acceptance but it is based on more fundamental considerations of the structure of society and the place and part of the individual within it. Movements of opinion in the religious world show the same tendency and are attracting increasing public attention. The statement of peace aims signed jointly by the Archbishop of Canterbury, Cardinal Hinsley, the Archbishop of York, and the Moderator of the Free Church Federal Council in England, has been followed by meetings held under the auspices of "The Sword of the Spirit" consisting of both Protestant and Catholic groups in which social preoccupations have been constantly in evidence. And the underlying principle finds solemn expression in the address of the Sovereign Pontiff Pius XII on the occasion of the fiftieth anniversary of the Encyclical *Rerum Novarum*: "National Economy, as it is the product of men who work together in the community of the State, has no other end than to secure without interruption the material conditions in which the individual life of the citizens may fully develop".

\(^1\) The quotations given are taken from speeches of Ministers or Presidential messages all delivered since April 1940.
Although suppression of the trade unions in the occupied countries of Europe, and the preoccupation of all the workers’ movements in Great Britain and the Dominions with the urgent problems of defence, explains why there has been as yet no declared programme for reconstruction formulated in a general Conference on behalf of the international trade union movement corresponding to the Leeds programme, there is plenty of evidence to show that the workers are far from ignoring the social problems of reconstruction and the necessity of preparing for their solution. The American Federation of Labor at the meeting of its Executive Council in Chicago in August 1941 adopted a resolution insisting that post-war unemployment must be avoided when the change-over from a defence economy to a peace economy has to be made, and expressing the belief that if “American resourcefulness can be teamed with American resources” industrial dislocation can be avoided provided plans are made in advance. The British Trades Union Congress has appointed a committee to work on the economic aspects of reconstruction. The Canadian, Australian, and New Zealand movements are all alive to the importance of the subject. As the workers’ organisations find time and opportunity to consider more fully those aspects of reconstruction which are of special interest to them it is rather to the series of measures required for the implementation of the general policy of social security that they will devote their attention since their general thesis has now won such universal acceptance.

If this general movement of opinion, affirmed and confirmed by the highest governmental and religious authorities, represented only a reaction to a world crisis of unexampled dimensions and gravity, it might perhaps lose some of its force when the crisis is over. But it is not by any means a sudden and recent growth. Already in the spring of 1938, reviewing the evolution of the International Labour Organisation, Harold Butler had perceived how the Organisation had broadened its outlook till “its horizon embraces all those wider questions which are inherent in the vast problems of stabilising employment and lifting the standard of life to more civilised levels everywhere”. The purely industrial elements in the so-called Labour Charter adopted with the Constitution of the International Labour Organisation have in large measure been given effective substance in the 67 conventions and 66 recommendations adopted by the International Labour Conference and widely applied by Member States. The demands of organised labour put forward in the “Leeds Declaration” do not need to be repeated to-day. They have been progressively adapted to changing
circumstances by labour leaders in the International Labour Organisation, in successive meetings of Conference, Governing Body, and Committees, on every question and issue as it arose. Many of them have been not merely formulated but achieved, in substantial measure, on those questions to which the successive decisions taken have applied. There are no doubt gaps to be filled and revisions to be undertaken. But the conclusion which has steadily emerged from nearly twenty years' experience is that labour legislation is not enough, that labour legislation in the old narrow sense "is only a very partial remedy for the social evils which the International Labour Organisation was created to combat". The crisis has accelerated a comprehensive acceptance of this wider view. It has served to give us a more fundamental table of values by which to judge and grade the questions on which attention needs to be focussed. Seen against the background of the ultimate realities of modern warfare, tendencies which were developing slowly to the eyes of expert observers find a sharper definition and become generally visible in a new perspective as convincing needs.

This then can be taken as the starting point, that future policy is to be directed to ensuring for the individual not only an improvement in conditions of labour but economic security without which, it is now recognised, there can be no fully effective implementation of social justice. Economic security, however, is not to be interpreted narrowly, and all the pronouncements quoted above if read in their full context make it clear that economic security is not regarded as an end in itself but as the condition which enables men to build on the secure basis of an assured standard of material well-being a fuller, richer, and above all a freer life. Economic security could conceivably exist with a high degree of material prosperity in the slave State but at the price of slavery. What the Governments of the Members of the Organisation are determined to seek is economic security for all citizens, achieved in a manner which respects individual dignity and liberty, of which it is as we now perceive in modern conditions an essential element. Machines which have made possible mass production have also made possible mass unemployment, something against which, when it occurs, the individual worker, whatever his energy, initiative, and goodwill, is powerless. When millions of men feel this sense of despair and impotence their effective participation as citizens in the life of the community to which they belong is distorted if not destroyed. The principle of political equality which lies at the basis of the democratic system loses its
value and efficacy if it is not translated economically into the life of the individual citizen. A healthy democracy therefore implies an adequate economic standing for its members, and since the conditions no longer exist in which it could be hoped that this would be provided by the interplay of blind economic forces, self-preservation dictates that national and international policy must be directed deliberately to that end.

Economic security for the individual in this sense implies more than the old slogans of "the right to work" or "work or relief". It implies more even than "the prevention of unemployment" by such economic measures and policies as may produce that result and thereby eliminate economic insecurity from the life of the average worker. It aims in addition at enabling him to secure, for himself and his family, all that is necessary to enable him in youth, through his working years, and in old age, to enjoy a place of dignity in the life of the community and to make to it whatever contribution his gifts and capacities may render possible.

This may seem to some a utopian programme. It will seem less so if it is remembered that the rapidity of the developments of the machine age and their economic and political repercussions are so recent that it has only now become possible for them to be seen in some kind of orderly perspective and for all their implications on the life of the individual to become generally understood. For some centuries before the Industrial Revolution economic life had a certain definiteness. The individual had a place in it: he knew what was expected of him and what he in turn could expect. There were, of course, dislocations and changes. Famines, wars, and plagues from time to time brought destruction and suffering in their train. But the general economic framework altered slowly, and, so far as the generality of men was concerned, imperceptibly. The introduction of power-driven machinery and the ever-increasing rapidity of invention, incalculable in direction and achievement, has destroyed this simpler economic life. Large-scale production and specialisation of labour produced not only mass industrial phenomena in which the individual was submerged and left to battle vainly against forces which he could neither understand nor control, but also a progressive modification of the economic and political substratum which outstripped the possibilities of clear observation and definition. The economic cycle, like Halley's comet, had to return several times before it could be indentified, still less analysed and understood. The full sweep of the change is, however, now apparent in many of its main features and statesmen
can now see their problems with sufficient clarity and can work out a constructive policy not on this or that vague theory or doctrine but on knowledge and experience greatly exceeding that heretofore available.

Much will depend on the spirit in which the task is approached. It is admittedly something more ambitious in scope and content than anything yet attempted by man as a deliberate effort to improve human welfare. It cannot be accomplished by any simple measure: no mere conviction however fervently and deeply held will suffice of itself to banish the inequalities and injustices which have to be removed. Concerted and laborious effort in many fields will be needed, based on careful study and adjusted as experience may dictate. But if that effort is faced with determination and optimism, there is no reason to fear that it will fail.

There is a danger that an undue emphasis on the destruction wrought by the war may inspire a spirit of pessimism as to the possibilities of effective action. It should be remembered that the scale of destruction is not absolute. It needs to be measured not against the destruction in previous wars but against the power of production and invention which has made it possible. There is, fortunately for humanity, a correlation between the power to destroy and the power to rebuild. Material destruction in the Napoleonic wars was, in comparison with the power of restoration then at man’s command, possibly even greater than what may have to be faced on the present occasion. Ruined houses had then to be rebuilt painfully stone by stone or brick by brick: to-day, concrete is poured into a mould and work that previously required weeks may be accomplished in as many hours. The current Annual Report of the Bank for International Settlements gives weighty confirmation to the more optimistic view in the following passage: “The high proportion of man’s productive capacity now devoted to purposes of war is proof of the tremendous technical possibilities which might be made available to improve the material welfare of all classes of society”.

Shortages and difficulties will no doubt be experienced. The change over from war to peace production will mean temporary dislocation: a new series of bottle-necks will need to be by-passed or eliminated: but the need for production will be as great for purposes of reconstruction as for purposes of destruction. In the ultimate analysis, with men, machines, the world’s stock of raw materials and possibilities of their further production, all the elements will be available wherewith human intelligence, technical knowledge,
invention, and organising ability can face the problem of building up a post-war world in which those principles which underlie political democracy can be translated into terms of a richer, fuller, and freer life for the individual citizen. But the task needs to be approached in a robust spirit of optimism, and that such a spirit does not lack the support of authoritative economic thinking is instanced by the hope of Mr. Keynes that "we shall have learnt some things about the conduct of currency and foreign trade, about central controls, and about the capacity of the country to produce, which will prevent us from ever relapsing into our pre-war economic morass. There is no reason why most people should not look forward to higher standards of life after the war than they have ever enjoyed yet."

THE I.L.O. AS A PART OF RECONSTRUCTION MACHINERY

International action to secure the social objective will of course, have to be pursued concurrently with action to deal with other problems, some of which may no doubt have to take precedence. But in settling the whole series of political problems, frontiers, disarmament, security, and the rest, and still more in the measures taken to set working again the world's economic and financial machinery, the general social objective will need to be kept constantly in view.

Since concerted action is a clear necessity, a general statement of policy will presumably be formulated jointly at the appropriate stage in some form of international Peace or Reconstruction Conference which will proceed simultaneously to set in motion the implementation of the agreed policy through appropriate bodies. The choice of these bodies once made, the fields allotted to them and the competence and authority remitted to them will need to be defined or recognised. At the last Peace Conference when labour questions came somewhat unexpectedly to the fore, no little difficulty was experienced in arranging for the composition of a committee competent to deal with the questions involved and giving some form of representation to the workers whose demands were under consideration. The position is now fortunately very different. The International Labour Organisation exists as an official body with its constitutional provision for workers' representation, and with detailed knowledge of the international aspects of social questions at its command. It would seem natural, in the interest of both efficiency and simplicity.
that any Reconstruction Conference should turn to the International Labour Organisation in connection with the consideration of social questions and should use the Organisation as part of its machinery rather than attempt to constitute from its own membership a committee on which employers and workers could not easily be represented. The International Labour Conference, or the Governing Body, or some smaller tripartite body appointed by the latter might be used as occasion might demand in view of the nature of the question on which an opinion was sought. Some questions could be remitted to the International Labour Organisation for examination and implementation through its usual constitutional machinery: others might be referred to it only in order to be reported back for final decision by the Reconstruction Conference itself.

Some such procedure as this would provide an elastic machinery, facilitating the rapid disposal of business, and providing automatically for the due participation of authorised representatives of the workers and employers in the consideration of questions concerning them, a participation which is certain to be demanded by the workers' organisations and which, in view of the increasing collaboration of organised workers and employers with Governments in questions relating to the prosecution of the war and to defence in so many countries, may be considered as an almost inevitable development.

Such a procedure implies, however, the choice of the questions which would be remitted to the International Labour Organisation for one or other purpose, and hence decisions as to the questions on which consultation with organised workers may be thought necessary or desirable. The necessity for such decisions suggests the desirability of regular consultation regarding the choice to be made in order to avoid misunderstanding or friction. This it is suggested, might be secured by the participation in the Reconstruction Conference of a tripartite delegation of the International Labour Organisation which could keep the Conference constantly informed of the workers' views and advise it on the knowledge and experience of the I.L.O. and its suitability for dealing as above indicated with one or other question.

Other considerations than those of mere practical utility can be invoked in support of a procedure of this kind. The strength of the International Labour Organisation, and in particular its power

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1 President Green of the American Federation of Labor has put forward a demand for representatives of the workers at the Peace Conference (Speech at the annual convention of the New York State Federation of Labor, August 1941).
of resistance during the crisis and the support for it which has been forthcoming from Member States at times when they themselves were experiencing the gravest difficulties, can be attributed largely to its peculiar structure. The presence in its constitutional organs of representatives of the great organised movements of employers and workers has given the Organisation a firmer foundation and has ensured for it more solid support than it could otherwise have obtained. This direct link with organised opinion has also ensured that its decisions are more fully understood and therefore more easily accepted and followed by effective national action than would have been the case if it had been a purely governmental institution. The work of a Reconstruction Conference may well be facilitated in the same way by the participation of a tripartite delegation of the International Labour Organisation in its deliberations. The same series of arguments would suggest that in any international bodies which the Reconstruction Conference may decide to set up whose work would impinge on the work of the International Labour Organisation, or which might have repercussions on general social policy, similar representation should be provided for.

A SOCIAL MANDATE

On the assumption that the International Labour Organisation is to be used to play the part for which its composition, its record, and its equipment of technical knowledge and experience seem to make it appropriate, the category of questions which should be referred to it is not difficult to indicate. The Organisation could indeed on its own initiative proceed to take up all those aspects of the social problem which are remitted to it by its Constitution. But it would seem appropriate that at a turning point in the world's history when the general social objective of economic security based on social justice is to be the mainspring of concerted political effort, the I.L.O. should be solemnly charged with its share of the task and that thereby men and women throughout the world should be given the guarantee that their Governments will vigorously pursue the effective realisation of such a policy through its instrumentality.

The formulation of such a social mandate would constitute a general declaration of international social policy and would give the International Labour Organisation a programme to implement, completing it with all the detail necessary. It is not difficult to outline
in a certain logical order the main points and principles which such a mandate should cover. They are:

The elimination of unemployment;
The establishment of machinery for placing, vocational training, and retraining;
The improvement of social insurance in all its fields and in particular its extension to all classes of workers;
The institution of a wage policy aimed at securing a just share of the fruits of progress for the worker;
A minimum living wage for those too weak to secure it for themselves;
Measures to promote better nutrition, and to provide adequate housing and facilities for recreation and culture;
Greater equality of occupational opportunity;
Improved conditions of work;
An international public works policy for the development of the world's resources;
The organisation of migration for employment and settlement under adequate guarantees for all concerned;
The collaboration of employers and workers in the initiation and application of economic and social measures.

It is not suggested that the list given above is exhaustive, nor that the different items in it should necessarily be taken up for action in the order given, nor indeed that they should not be pursued simultaneously. The sequence adopted, although only one of many possible arrangements, serves to indicate the lines of a general social policy and the relationship of parts of it to the whole. Some of the considerations which inspire it can be briefly indicated as follows.

The prevention of unemployment, perhaps better stated in the positive form of "jobs for those who want them", has been chosen as starting point on account of its prospective practical importance during the period immediately following the war. Employment is, for the vast majority of mankind, a fundamental necessity, the condition indeed of life itself, if life be understood as not mere physical existence but as implying also a position of dignity, respect, and independence within the community. Life in that fuller sense is not only something which a society owes to the individuals who compose it. It is also fundamental to the well-being of society itself, for the misery and despair of millions of workers and their families which result from mass unemployment breed political instability dangerous to the State and to the world community as a whole. We now recognise that social security is, like political security, indivisible and that the two are inseparable.
The central effort to provide social security must therefore be concentrated on the removal of the form of social insecurity which resulted from the failure in the past to subordinate the organisation of production to the necessity of absorbing into productive activity all who earn their livelihood by work. That effort requires both economic and social measures: measures which are primarily economic in character to secure and maintain a proper social equilibrium between production and consumption, and measures such as can be implemented by government departments responsible for labour administration, as for example the organisation of placing so that workers may be directed towards the industries in which employment can be provided for them, and of facilities for training, retraining, and vocational education and guidance so that the skills available may be those which industry requires in a world of rapidly changing processes and techniques. Such measures, to be fully effective, presuppose a general system of education in which the child, whatever the resources of his family, has the opportunity for access to the form of education best suited to his capacities.

Though it may be hoped that a policy of employment can eliminate unemployment of the prolonged and catastrophic character experienced during the pre-war economic crises, it can hardly be expected to eliminate all forms of unemployment. Seasonal fluctuations will in some degree persist and changes in demand and the technique of production are bound to involve temporary dislocations of employment. The employment of the individual worker may also be interrupted for other reasons such as sickness and accident and his family may find itself without resources as a result of such interruptions or of his premature death or invalidity. To meet these risks and to provide for an honourable and dignified old age when working life is over, the well-known forms of compulsory social insurance are an obvious necessity. Though they are now a generally accepted part of the social organisation in a very large number of countries, they require to be co-ordinated and extended in scope so as to include all categories of workers and their families.

The maintenance of employment and an adequate system of social insurance making provision against risks of accident, sickness, invalidity, and old age can remove from the life of the worker the nightmare of insecurity as he has known it in the past. Other social measures are required, however, before it can really be claimed that not only has insecurity been abolished but that social security in a real positive sense has taken its place.
The conditions of life of millions of workers in all lands are deplorably below any reasonable minimum. Continuity of employment and more adequate social insurance will no doubt contribute to an amelioration of these conditions, but they are clearly not enough. The worker's standard of life, and that of his family, is determined by his real earnings—that is, by what his cash earnings will effectively buy in terms of goods and services. "An increasing and ever widening standard of life" can only be achieved by the application of a wage policy which will tend to secure for the workers their just share of technical progress and increased possibilities of production, and which will guarantee a satisfactory living wage for those who are unable to secure it for themselves by the ordinary bargaining process. The successful application of such a policy will depend on the existence of adequate arrangements for wage regulation, by collective agreements, arbitral award, or otherwise, and on maintaining a proper balance between output and purchasing power. Governments can do something to influence progress in this direction by means of an enlightened "Fair Wages Clause" policy in all arrangements in the case of which the Government or any other public authority is in a position to influence the conditions of employment. By recognising the social justice and social advantage of a progressive wage policy, they can promote a great improvement in standards of life.

The standard of life of the worker, however, does not depend only on the level of real wages. His standard of life is determined both by the things which he can buy with his income, and by certain facilities, services, and opportunities which are provided by public authority or intervention, in respect of which he may make a payment but the quality and standard of which is not determined by the payment made. Educational possibilities for his children, adequate housing, adequate supplies of food having proper nutritional value, adequate facilities for the enjoyment of leisure, and opportunities for culture, are all important elements in the conditions of life and its standard. They therefore call for appropriate action by public authorities in any scheme of general social policy. And they have a wider justification. The general importance of measures for making available foods having the necessary nutritional values and securing an understanding of the importance of their use has become increasingly recognised; proper housing which will allow workers to live not only with reasonable space and ventilation, but with the amenities of a pleasant environment, is an element in the general problem of public health; access for the workers' children to educa-
tion and training independent of the income level of the parents is fundamental to the future efficiency of the democratic state; and opportunities for culture and the satisfaction of man's spiritual needs, while no less necessary than material comfort, strengthen and enrich the whole fabric of the State.

The placing of the questions of employment, social insurance, and a rising standard of life in the forefront of the post-war social programme does not imply that the traditional subjects of labour legislation can be ignored. Although there has been considerable progress over the last twenty years, much yet remains to be done. The general standards already laid down will need to be completed and improved in line with general social progress. Among the subjects calling for special and urgent attention are the age and conditions of admission of children to work, welfare, industrial diseases and the prevention of accidents, and the organisation of effective inspection services. Questions such as the length of the working day and the working week, rest periods, and holidays will inevitably require examination as scientific and technical changes occur. Paid holidays are the condition of the enjoyment of those facilities for recreation and culture which have been mentioned above, and the whole question of leisure is bound up with the part which the worker should play in the life of the community and the proper performance of his duties and responsibilities as a citizen of a free country.

The whole series of measures indicated in outline above as susceptible of forwarding the policy of social security require to be dealt with by national and international action in varying degrees. In some cases national action may follow an international initiative, in others international action may have to go further than giving an impetus to national action by the elaboration of agreed or model standards, and deal with problems which are essentially international in character. For example, the international aspect of the employment problem cannot be ignored. There are countries where employment opportunities could be greatly expanded by the development of their own natural resources if they could be provided through international cooperation with the necessary capital. There are underpopulated countries possessing great resources in raw materials or in land which for lack of labour they are unable to exploit, while other countries poor in capital are rich in labour resources which they cannot employ. Migration on agreed conditions and with all the required guarantees could do much to open new avenues of employment, and if the world's potential riches are to be used for the greatest advantage of all, the desirability of securing agreement on the measures of
organisation necessary to bring together the three elements of land, labour, and capital in equitable conditions might well figure in a general statement of policy.

Although details of machinery and method would hardly be appropriate in a social mandate such as that envisaged, the principle of securing the collaboration of organised employers and workers in the application of such a series of measures is of such importance that its inclusion would seem to be called for. Industrial associations of employers and workers have now become an integral part of the structure of the modern democratic State. Through the negotiation and operation of collective agreements they fulfil to a great extent the functions of the government of industry. In an increasing degree they participate in the drawing up and in the application of labour legislation and in the machinery of certain social institutions such as insurance bodies and public employment agencies. More recently, their collaboration has been sought and has proved of the greatest utility in a much wider field. In defence measures and more particularly in the organisation of production for defence, tripartite representation on consultative and executive bodies has given proof of the practical value of thus making use of the experience of workers and employers, and has also provided a direct link between such bodies and public opinion. It is now recognised that social and economic problems cannot be considered or dealt with in isolation. If the social objective is to be the fundamental element of policy, the association of employers' and workers' organisations with all phases of the initiation and application of economic and social policy becomes not only desirable but indeed indispensable.

The Economic Aspects of Social Reconstruction

It is clear that all the measures included in such a programme should come within the purview of the International Labour Organisation, which by its composition and its equipment is the most suitable organ to survey the whole field of public policy from the social standpoint. More difficult considerations arise when international action by way of international conventions or recommendations, as distinct from studies, surveys, or resolutions, is contemplated. On many of the questions included, the competence of the Organisation to arrive at international decisions has never been questioned. The extent of its competence to take such action is, however, not something which has been rigidly fixed for all time. Although in earlier years there was a tendency to question the right of the Organisation to deal with economic questions, that tendency
has progressively disappeared as it has steadily become clearer that in modern conditions the economic and social aspects of a problem though they can be distinguished are not susceptible of effective treatment separately. The Preamble to its Constitution mentions specifically "the prevention of unemployment" and "the provision of a living wage", and the Organisation is therefore entitled to take by the necessary constitutional majority any decisions which in its opinion would contribute to those ends. Its competence indeed was intended to be "comprehensive" and its Constitution would seem to be sufficiently flexible to allow of an almost unlimited extension of the tasks or activities entrusted to it by Member States. The facilities which it thereby offers of being able to assume without constitutional difficulty whatever responsibilities are remitted to it does not, however, give it an all-embracing and exclusive competence constituting an obstacle in the way of creating new international machinery for certain purposes or of utilising in the way thought most useful other existing machinery. The problem of the relative competence of international organs is one which should be stated and solved in terms of practical utility rather than in terms of legal texts.

The increasing extent to which the International Labour Organisation has moved without opposition into the economic field, for example at the Textile Conference in 1937, and the growing participation of representatives of organised workers and employers in national economic decisions, both indicate that the activities of the Organisation in the economic field will increase. The essential practical issue is to avoid overlapping with other bodies and this should not be difficult, particularly if I.L.O. representation on such bodies is provided as suggested above, and if in remitting any subject with economic implications to the International Labour Organisation it is made clear that the Organisation is expected to make proposals for action in the economic as well as in the social field.

A distinction must of course be made between the general economic measures necessary to restore international trade, to re-establish the economic relations between nations on a healthy basis, to avoid currency disorders and dangerous fluctuations in prices, and those more limited measures which are the necessary condition of the successful achievement of some specific social reform. The former represent the foundation upon which all other measures both national and international to achieve economic security and social justice for the individual must be built. In their success the International Labour Organisation is therefore directly and keenly interested. The nature and extent of those economic decisions will have to be determined
by the concerted action of Governments, and their application secured in collaboration with and through all the elements of the world’s intricate financial and economic machinery. The International Labour Organisation is not a substitute for that machinery: what has been said about the extension of its activities into the economic field is not intended to suggest that it could become so. But it should never be forgotten that the relationship between social standards and economic considerations is becoming constantly more intricate and whatever action may be taken in respect of, for instance, commercial policy, raw materials policy, or monetary policy, will have far-reaching repercussions on social conditions and living standards. The need for the International Labour Organisation to discuss such repercussions is inherent in its recognised task. There may indeed be questions of this kind on which it should be asked to collaborate actively. If, for example, measures are taken to secure a greater measure of freedom of trade, social conditions in the countries to which freer trade is extended cannot be ignored and the Organisation might be called upon to formulate appropriate standards of social policy to which consideration should be given during commercial negotiations. Moreover, the Organisation can help in forwarding the main economic effort in two ways. It can, as it tried to do at the London Monetary and Economic Conference in 1933, throw all its moral weight behind the solutions sought and by its close relationship with the great national organisations of employers and workers contribute to securing for the necessary international economic measures the support of public opinion: and it can, particularly if it is given the representation on international economic bodies suggested earlier in this Report, help to ensure that the economic measures taken are such as will facilitate and not hinder the programme of economic security and social justice which is their declared raison d’être.

It can perhaps also make another contribution to the future economic organisation of the world. While general economic measures are of course the first essential, the complexities of economic life suggest that useful action may be possible and indeed desirable either in special technical fields or as regards certain industries considered as world units.

In the long run, the social problem cannot be solved without consideration of the relationship between agriculture and industry and of the demographic factors involved: the possibilities of the industrialisation of under-industrialised countries and of migration cannot be left out of the picture. The dislocation of economic life during the war and the destruction of economic equipment both tend to
make these problems more acute. They require to be considered in connection with the problem of the avoidance of cyclical economic crises and are therefore related to the problem of the international co-ordination of public works policies. A public works policy will be an essential element in any social employment policy, but public works policy has in the past tended to be approached too much on the lines of "work or relief" and often became no more than disguised relief. Public works will tend more and more to be inspired by the conception of economic equipment. International co-ordination of public works policies has already been recognised as desirable and it will be remembered that the I.L.O. had set up an International Public Works Committee for this purpose, which, however, did not come into effective operation because of the war. The problems which will have to be faced at the end of the war suggest the desirability of a wider approach to the subject. International public works might well prove to be one of the ways by which international assistance could be given towards restoring the world's economic equipment. If this were one of the methods adopted it would of course imply international financing and there is no good reason why international assistance of this kind should be limited to material equipment only. Measures for internationally financing colonisation schemes might be, in particular circumstances, as useful in their economic effect as, for example, measures for building a hydro-electric station. In this connection it will be recalled that a Permanent Committee on Migration for Settlement was also set up and that the examination of the problem of financing international colonisation schemes had been begun. The organisation and financing of international measures of these kinds might not only prove of great value in helping to rebuild the world's economic machinery but would also help to guide the flow of investment into the channels most advantageous for the world as a whole. The functions of the two committees mentioned, and the possibility of integrating them into some machinery of the kind suggested above, might well be examined as part of the more detailed plans of reconstruction.

**The Government of World Industries**

General technical measures of the kind just indicated, in addition of course to those required to provide the world with a general trade and currency framework, do not exhaust the possibilities of effective international action. Many industries have become world units and
while their national fractions continue to function or to be dealt with nationally the industry as a whole presents problems which require more general consideration.

As already recounted, the impact of the war on the position of the primary producers in the non-European countries has given a new stimulus to an international approach to the problems of agriculture which has been emerging gradually since the great depression. Developments such as are foreshadowed by the International Wheat Conference held in Washington in July-August 1941 are likely to be of great importance. The social problems of agriculture have held a place among the preoccupations of the International Labour Organisation since 1920, and detailed arrangements were worked out for co-operation between the Organisation and the International Institute of Agriculture. During the years immediately preceding the war, growing appreciation of the key position of agriculture in the world's economy led to the establishment by the Organisation of a Permanent Agricultural Committee, composed in a manner which takes due account of the importance of the small farmer in the agricultural structure of many countries. It will be essential when applying the principles embodied in the social mandate that action in respect of industry and commerce should be paralleled by appropriate action in respect of agriculture, both because of the intrinsic importance of agriculture and because of the interdependence of the prosperity of industrialised communities and the living standards of primary producers. The development of the work of the Permanent Agricultural Committee, with any adaptations which may be necessary, and the establishment of an adequate liaison between it and other international bodies dealing with agricultural questions, would seem to be an appropriate means for furthering this end.

Reference has also been made in an earlier part of this report to maritime questions and to the progress made during the war both as regards seamen's welfare in ports and the greater degree of uniformity of conditions of work and wages on board ships sailing under different flags. No industry is so international in character and in activity as the mercantile marine. Not only do its ships pass across the oceans from one country to another, but the cargoes they carry are consigned to and from all countries whether coastal or landlocked: and the officers and men who man them are men of many nations having between them the special bond of the brotherhood of the sea. Much of the progress described in their conditions has its origin in the work of the Joint Maritime Commission of the International
Labour Organisation. In the course of its meetings and of the special Maritime Conferences of the Organisation to which its proposals were referred, the representatives of seamen and shipowners have come closer together and have worked with increasing understanding of one another's problems in a joint endeavour to improve the conditions of the industry to which they are both proud to belong. The still closer collaboration which has grown up during the war should make the Joint Maritime Commission a most valuable instrument for the treatment of post-war maritime problems. The maintenance and possible extension of the uniformity of conditions already achieved, together with the consideration of certain other questions by which social conditions in the industry are affected, might well be entrusted to the Joint Maritime Commission, the agenda of which at the outbreak of war included, among other questions, trade reservations, subsidies, and flag discrimination as affecting the volume of employment of seamen and the standards of their working conditions. There may well be further maritime problems on which international action may prove necessary or desirable. The nature of the problems to be dealt with might conceivably suggest that the composition of the Commission should be modified so as to provide for governmental representation—at present it is a bipartite body—or it might report its proposals for sanction to a special international Maritime Conference as heretofore.

The International Labour Office made the first survey of the textile industry as a world problem. The establishment of an international textile committee was envisaged at the 1937 World Textile Conference and preliminary steps were taken to constitute such a committee in the hope that it might gradually bring order, and in consequence prosperity, to the industry as a whole. The further development of this work was interrupted by the war. Such a committee, upon which the various branches of the textile industries of the different countries were represented, might well prove an instrument through which the textile industry itself might be able to formulate plans for the reconstruction of the industry after the war, and to such a committee, with representation of textile employers and workers, might be entrusted the execution of such plans.

It is possible that similar committees might play a useful role in the international organisation of other great industries such as the

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1 Maritime questions are dealt with in the I.L.O. by the International Labour Conference but it has been the accepted practice for the agenda of the Conference to be confined from time to time to exclusively maritime questions on which the Joint Maritime Commission has been consulted. To these meetings of the Conference maritime countries send representatives of shipowners and seamen.
metal industries, coal-mining, etc., and either the International Labour Organisation, or some appropriate body derived from it, might be charged with the necessary task of co-ordination.

It might be argued that such committees would tend to pursue the interests of the industries they represented in a selfish way, seeking only the prosperity of their own section of the world's economic life at the expense maybe of other sections. A guarantee of a wider policy would, however, be given by their tripartite character, comprising representatives of Governments and workers, and by the co-ordinating control which would be exercised by the International Labour Conference or some other suitable body. It would seem to be clear, moreover, that some kind of world machinery is required for the big industries which have an international character, and there would appear to be distinct advantages in providing for the representation of the workers as well as of management therein and for a link between them and the International Labour Organisation because of the repercussion of their work on social conditions.

**Regional Co-operation within a World Framework**

The responsibilities of the International Labour Organisation are world-wide, and the experience of twenty years has shown that in order to enable it to discharge those responsibilities in a manner which takes due account of the interests and problems of all its Members it must have direct and intimate contact with all parts of the world and specialised machinery for handling, within a general international framework, the special problems of particular regions. The Labour Conferences of American States, of which the first two were held in Santiago-de-Chile in 1936 and in Havana, Cuba, in 1939, furnish the starting point for the future development of the continental work of the Organisation in the Americas. The desirability of holding special conferences for the Asiatic countries and territories has been stressed in resolutions adopted at various sessions of the International Labour Conference, but political tension has prevented the holding of such a conference. The war has, however, given so great a stimulus to further industrial expansion in Asia that the social problems of Asia are likely to be of vastly increased importance in the post-war years. Machinery analogous to that which has been developed for the Americas, and built up in the same manner on the basis of regional requirements and conditions, is therefore likely to be necessary for Asia and possibly for other areas.
FUTURE POLICY

A CHALLENGE AND AN OPPORTUNITY

The purpose of the present report is not to put forward any cut-and-dried scheme. It has aimed only at attempting to indicate in a preliminary way the content of the general policy of social security and at recalling certain initiatives already taken by the International Labour Organisation which are perhaps suggestive for further action and development. A co-ordinated scheme to be of real value can only be worked out by the representative bodies of the Organisation which alone can decide on what problems the work of the Organisation should henceforth be concentrated and in what order. It is by no means certain that there will be a definite moment when the whole series of reconstruction measures can be considered as a general plan and co-ordinated in advance. Action on some of the points noted above needs indeed to be undertaken now—for example, as regards the mapping of the employment situation so that the quantity and distribution of skills may be known and their redistribution effected in the light of that knowledge when war production abruptly ceases and other forms of production become possible. Plans for the resumption or increase of the production of articles of general consumption now restricted or regarded as non-essential, plans for the establishment of new industries and the development of new materials and new techniques such as the greatly increased industrial use of plastics, plans for housing schemes and for public works both national and international, must be ready, together with the machinery for putting them into operation, if severe and dangerous dislocation of employment is to be avoided when the war ends.\(^1\) Certain forms of international action are likely to be taken to meet pressing needs without waiting for any general reconstruction Conference—for example, measures to feed the peoples of Europe, which it has been suggested might be organised through an extension of the lend-lease system.\(^2\) And it is not impossible that, under stress of events and to meet immediate practical necessities, various transitional measures may be put into operation in piecemeal fashion. If this course is followed, it is important that the general social objective should be kept in view so that future measures to achieve it may not meet with unnecessary difficulties, and the best way to secure this would probably be to associate the International Labour Organisation in some

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1 Some indication of the size of the problem which may have to be faced is given in the Report of the U. S. National Resources Planning Board: After Defence What? which points out (p. 3) that if the war should continue until 1944 the defence effort of the United States would then absorb the energies of about 23 million workers in the war industries and about 3½ million in the armed services.

2 Idem, p. 16.
appropriate way with the elaboration of any transitional policies or their application whenever they deal with matters of social import.

Suggestions were made by some delegates at the last meeting of the Conference that the Constitution of the Organisation should be amended so as to define more clearly its autonomy and authority.

During the twenty odd years of its existence, the Constitution of the Organisation has given rise to surprisingly little criticism. The slowness with which some of its decisions obtained national confirmation and application was due to the series of economic and political crises during the inter-war period rather than to any defect in the international machinery. How best its power to influence policy decisively should be enhanced it is perhaps premature to discuss at a moment when the new tasks to be laid upon it have not yet been defined, when the circumstances in which those tasks will have to be performed are unknown, and when the nature and competence of other international organisations has not been decided. As these become known, measures can be taken to give the Organisation any such extension of powers as may be necessary to enable it to exercise any new functions that may be committed to it, or to perfect its machinery for certain purposes, such as securing the effective observance of international social obligations. In any such measures it would be essential to preserve that equal and independent status of the workers and of management which has given the Organisation the special character from which it draws so much of its strength. With its existing constitutional powers, it can undertake its share of the social reconstruction problem, at all events in the first stages, on two conditions: first, that the Governments, recognising that its record and experience make it an effective instrument for the implementation of their declared post-war social policy, agree to use it to the full for that purpose, and second, that the necessary resources are placed at its disposal.

If a real and determined attack is to be made on the social problem, if "poverty and the social evils that arise from it" are to be eliminated, if mass unemployment is to be made impossible, and if a higher standard of life is to be sought and secured for men and women workers throughout the world, international action on a scale greater than that of the inter-war period will be necessary and greater financial resources to equip and extend international machinery must be forthcoming. What has been accomplished hitherto is in the nature of an experiment, from which valuable lessons can be learned. But if a serious attempt is to be made to organise and run a better post-war world "which will afford the assurance that all the men in all
the lands may live out their lives in freedom from fear and want”, both Governments and public opinion must be prepared for far more international co-operation than in the past, and for the corresponding expenditure of time, energy and money.

The idea of such an extension of international activity raises in some quarters the fear that such international activities involve interference with national prerogatives which should be jealously guarded. The sacred and intangible character of national sovereignty is held to constitute an obstacle to international organisation, which it is argued can only be effective in the degree in which it invades and restricts the national domain. There are, however, a growing number of matters to which the authority of national government, however unlimited, cannot in the nature of things extend in an era of world interdependence. The alternatives are therefore to leave without any control or order matters of vital interest which are outside the range of effective national action or to institute international control in spheres in which the absence of such control is dangerous to the very existence of free nations. The full exercise of the old theoretical national sovereignty is possible only in isolation: it is no more possible in the modern world for the individual State than is unrestricted individual liberty. Restrictions on the individual’s liberty, such as the obligation to obey traffic regulations, do not interfere with his liberty to drive to the destination which he chooses—they secure, on the contrary, that he shall reach it more rapidly and certainly than if they did not exist, while allowing his fellow drivers to do likewise. In the same way, international organisation properly understood is indispensable to the creation of conditions in which national freedom can be effectively and safely exercised. To deal with the social and economic problems which will arise at the end of the war existing national powers will be needed to the full for national measures. Concurrently, international measures will have to be taken by the appropriate international bodies if national action is to be effective and not to find itself baffled and defeated by circumstances out of its control.

The better world to which millions everywhere look forward can only come as the result of a free co-operative effort. That effort must be planned, prepared, and even begun now. As Prime Minister Mackenzie King has said, if the new world order “is not already on its way before the war is over we may look for it in vain”.

Overwhelming as in some cases are their other preoccupations at this time, there is abundant evidence that the Members of the International Labour Organisation, together with their workers’ and employers’ organisations, are alive to that necessity.
The war has brought destruction and horror of an intensity and extent beyond any experience in history. But it has brought together the common people of the world: it has brought a keen realisation of their interdependence and of the interdependence of the four great freedoms. They know that so long as nations must arm against the menace of attack, the illimitable resources of the earth's bounty and the vast possibilities of science and invention must be turned from their true purpose. They are aware that as fear is removed from the lives of nations, the wealth of the world can be made available for the lives of men. They are conscious of the difficulties to be overcome, but they are equally conscious that though the challenge is formidable the opportunity is great. They are determined that when aggression and oppression have been driven from the earth, men must build better than men have built before. Already the social objectives have been set by countless authoritative pronouncements. Overwhelming opinion declares that they can and must be achieved. If that unity of aim and purpose is maintained and if it is inspired by a devotion and earnestness equal to those which the challenge of war has evoked, these objectives can be pursued with confident hope of ultimate success. The International Labour Organisation is, as Mr. Winant pointed out in his Resignation Report, the “instrument for orderly social change” of “the Governments, employers, and workers of the free democratic countries of the world”, and is thus peculiarly fitted to initiate and guide the international action which is required. If the Organisation takes its responsibilities courageously, if it acts with faith and with energy, then, in the concluding words of Mr. Winant’s message, “with God’s will and a just cause” it will not fail.

EDWARD J. PHELAN.

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