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Supplementing the Welfare State: The Development of America's Public-Private Settlement for the Unemployed

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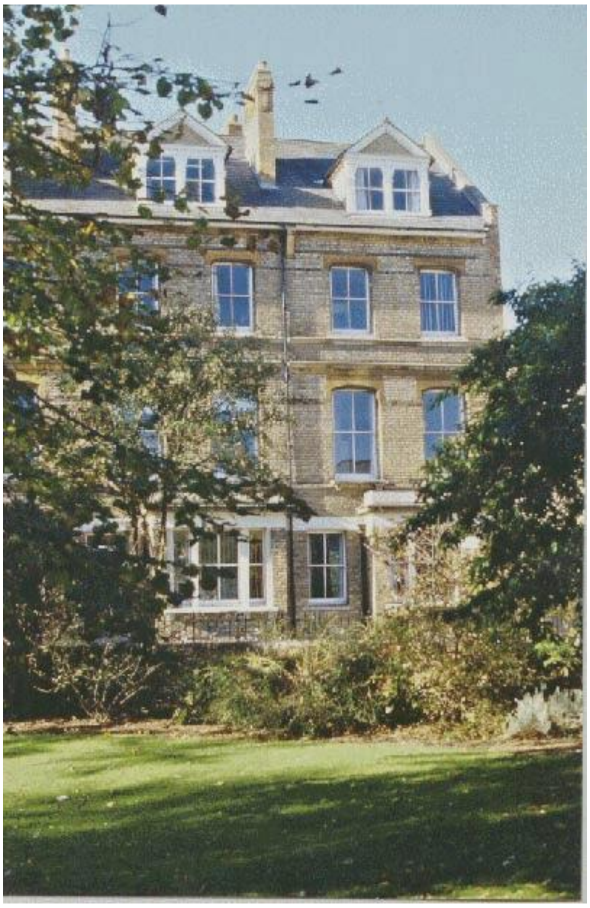

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Abstract:

The comparative political economy literature on the welfare state has tended to assume that in the United States staunch business opposition has resulted in minimal social protection against the risk of unemployment. Although this view is broadly characteristic, there is considerable evidence which suggests that such a sweeping statement on American social protection may be in need of revision. Not only has comprehensive unemployment insurance been available across the US manufacturing sector through public-private arrangements, but leading American firms in this sector have supported private solutions to income security for their workers and the strengthening of the public unemployment insurance system. Such findings potentially have significant implications for established perspectives in the literature regarding cross-national institutional differences and the structural underpinnings of varieties of capitalism.

Introduction

The overwhelming consensus regarding the role of the welfare state in the political economy of the United States has centred around three core points, namely that American social policy is decidedly minimalist in nature, that it is ardently opposed by business and that it lacks the support of a robust labour movement. Such assumptions have been key to the logic of some of the most influential comparative political economy perspectives for explaining cross-national institutional differences between advanced market economies, including Korpi's (1983) theory of power resources, Esping-Andersen's (1990) three worlds of welfare capitalism and Hall and Soskice's (2001) Varieties of Capitalism (VoC) approach. Although these frameworks have been well suited for characterising the American welfare state in the broadest of terms, they have failed to paint a complete picture of social benefits in the United States. In emphasising systemic distinctions in national levels of social protection, the comparative political economy literature has been predominantly focused on public social spending and state welfare programmes (see e.g. Esping-Andersen 1990; Estévez-Abe 2001; Iversen 2005; Pontusson 2005). As a consequence, aside from a few notable exceptions (see e.g. Rein 1982; Rein and Wadensjö 1997; Shalev 1996; Seeleib-Kaiser 2008), relatively little attention has been paid to the fundamental role played by the private sector in the provision of social insurance. This point has been underscored by a growing body of research which has highlighted the role of business and private insurance in the political economy of American social protection (see e.g. Jacoby 1997; Martin 2000; Hacker 2002; Swenson 2002).

However, despite the importance of these contributions, the suggestion that American employers may have actively advocated the expansion of welfare state programmes or may have wished to independently improve upon them continues to lack a solid empirical basis. For instance, it is unclear under which conditions management either favoured or opposed the extension of social insurance to workers. It also remains to be determined whether those firms which did support certain social policies did so because they were motivated by an independent business case for the retention of worker skills or whether they did so mainly as the result of pressure from organised labour. The analysis which follows addresses these issues by examining the case of public-private unemployment compensation in the American manufacturing sector with special reference to the automotive industry. In particular, it traces the development of Supplemental Unemployment Benefit (SUB) plans which are extra-statutory measures designed to significantly increase the wage replacement rates and duration of state unemployment insurance benefits for industrial workers well beyond the legislated minimum.1 In the process of this examination substantial primary historical evidence is marshalled which suggests that leading American manufacturing firms were in favour of both stabilising employment for their workers as well as in the public and private improvement of unemployment compensation. Moreover, the introduction of SUB plans enabled firms to retain employee skills by facilitating

[1] Please note that whilst basic federal guidelines for unemployment insurance are set by the United States Congress, unemployment insurance benefits are determined and administered at the state level rather than at the federal level (Finegold 2005: 158).

inter-plant redeployment through which workers who became unemployed due to both cyclical and seasonal layoffs could be recalled once production had increased.

Varieties of Capitalism and the Paradox of Fordism

According to the VoC approach, differences in national levels of social protection against the risk of wage depreciation and unemployment have largely related to divergences in the production strategies and skill profiles of national political economies. Whilst measures such as wage, employment and unemployment protection in Coordinated Market Economies (CMEs) have fostered the development of firm-specific and industry-specific skills, the weakness of such institutions in Liberal Market Economies (LMEs) has encouraged workers to acquire general skills (Estévez-Abe et al. 2001, 150).2 Inherent to this perspective is the notion that national production regimes are underpinned by distinctive institutional complementarities which constitute a decisive factor in determining how capitalism functions in different national contexts (Hall and Soskice 2001). It is therefore argued that the national nature of social protection, education and finance as well as the preponderance of particular skill competencies combine to influence the design of corporate product market strategies (Estévez-Abe et al. 2001, 146). Collectively referred to as welfare production regimes, these interrelationships are said to have significant implications for the manner in which domestic producers compete internationally (Estévez-Abe et al. 2001, 146). In this way, there has been an emphasis in the VoC literature on the functional importance of prevailing institutional dynamics in shaping the relationship between welfare and work in advanced political economies.

By stressing the significance of dominant institutional complementarities, the VoC approach has been guided by the assumption that the relational contracting undertaken by firms can only take one of two forms. Whilst it is resolved in CMEs through coordinated strategic arrangements, it is determined in LMEs through competitive market mechanisms (Hall and Soskice 2001, 8).3 As a consequence, it is presumed that non-market solutions to problems of economic governance, such as those relating to social protection, wage determination and vocational training, must necessarily be coordinated at either the state or industry-level. According to the VoC perspective, it would therefore seem clear that for non-market mechanisms of this nature to work effectively, they must be collectively underwritten and structured into broader institutional frameworks. After all, in the absence of coordinated agreements, it is argued, firms would find it undesirable to pursue non-market strategies given the likelihood of the occurrence of free-riding (see e.g. King 1995; King and Wood 1999; Wood

[2] According to Hall and Soskice (2001), CMEs include Austria, Belgium, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Sweden and Switzerland, whilst LMEs consist of Australia, Canada, Ireland, New Zealand, the United Kingdom and the United States.

[3] However, it should be noted that the bipolar conceptualisation of competitive and coordinated contracting arrangements has been bridged to some extent by the recent development of additional capitalist typologies in the expanding VoC literature, namely that of Mixed Market Economies (MMEs) and Emerging Market Economies (EMEs) (see e.g. Hall and Gingerich 2004, 35; Hancké et al 2007, 13 & 14). Nevertheless, both CMEs and LMEs continue to be understood as essentially coherent and homogenous ideal types (see e.g. Hancké et al 2007, 13).

2000; Wood 2001). However, such a focus has obscured the possibility that non-market solutions to relational contracting can also be organised and executed by individual firms and that such activities may, in fact, be replicated throughout entire industries or sectors. In overlooking this dynamic, it has meant that little consideration has been given in the literature to the interplay between public and private provisions in achieving similar outcomes to those forged through strictly cooperative forms of institutional governance.

These issues are explored by examining one promising area of research which would appear to be counter-intuitive to the logic of VoC, namely extra-statutory unemployment compensation in the United States. In particular, it seeks to analyse why many American manufacturing firms have extended their employees comparable benefits to those publicly-provided in coordinated economies. Whilst the VoC skills argument has emphasised the functional significance of comprehensive social protection in CMEs, it has equally contended that such provisions are both untenable and unneeded in LMEs such as the United States. However, there is considerable evidence to suggest that equivalent measures have also been widely operational in liberal economies, something entirely contradictory to the literature's present consensus regarding the relationship between welfare states and advanced political economies. These social protection provisions, created mostly through firm-based collective bargaining agreements, have included guaranteed income policies, job security assurances and extra-statutory unemployment benefits. Developed to provide workers with employment guarantees and comprehensive coverage in the event of an involuntary layoff, such income security measures began to emerge in the United States during the immediate post-war era. Perhaps the most notable development with regard to these policies was the unprecedented growth of privately-funded unemployment benefits for industrial workers during this period.4 This case is potentially notable for two reasons. Firstly, such firm-based policies have been negotiated in many of the same sectors which have historically been predominant in the private sector in CMEs. In addition, most of these sectors, in both CMEs and LMEs alike, have been characterised by strong union representation and high levels of cyclical unemployment. This raises the possibility that cross-national differences in social protection may be more closely related to national concentrations of specific industry sectors, the associated nature of unemployment risk and comparative levels of union representation rather than to national skill profiles or supporting institutional complementarities. Secondly, such policies have emerged despite an apparent deficit in firm-specific and industry-specific skills in LMEs.

One of the main contentions underpinning the VoC skills argument is that workers and firms which invest in co-specific assets necessarily increase their exposure to the prospect of economic dislocation unless properly safeguarded against potential market disruptions by institutional protections (Iversen and Soskice 2001, 875; Iversen 2005, 9 & 10).5 Consequently,

[4] Although it is beyond the scope of this particular paper, it should be noted that similar extra-statutory unemployment compensation has also been negotiated between large manufacturing firms and their unions in other LMEs, including Canada and the United Kingdom. Whilst SUBs have been prevalent in Canadian industry, similar provisions, termed as lay-off benefit plans, have been adopted by British manufacturing and engineering firms.
[5] This research agenda closely relates to the work of Becker (1964) and Williamson (1981; 1985).

in addition to competitive wages, a worker's decision to commit to a specific set of work-related skills with limited applicability outside the firm or industry in which they were acquired is highly dependent upon the guarantee that such investments will be insured by varying combinations of employment, unemployment and wage protection (Estévez-Abe et al. 2001, 150). In providing such assurances, the risk associated with the development of skills specific to a firm or industry can be sufficiently overcome, thereby inducing workers to pursue what would otherwise be an uncertain proposition. According to much of the political economy literature, the flexible production strategies used by many industrial employers in CMEs, such as diversified quality production (DQP) in Germany (see e.g. Streeck 1989; 1991; 1992) and diversified mass production (DMP) in Japan (see e.g. Koike 1981), have depended upon highly skilled workers with either firm-specific or industry-specific skills. In contrast, the standardised mass production or Fordist approach employed in LMEs has been said to be reliant on semi-skilled and unskilled labour (Estévez-Abe et al. 2001, 148 & 149). The question therefore arises as to why costly privatised programmes of social protection offering generous wage replacement rates, extended periods of benefit duration and contractual guarantees of employment security were collectively negotiated at the firm-level in the American manufacturing sector if they did not correspond to similarly high levels of skill investment to those reported to be found in CMEs.

Widely negotiated between the mid-1950s and the mid-1960s, SUB plans were predominantly introduced in manufacturing industries as opposed to the service sector. SUB plans were initially negotiated in the automotive industry, a measure which was subsequently adopted in the metalworking, heavy machinery, aerospace, rubber, glass-making and apparel industries (BLS 1965b, 1; Becker 1968, 19). The first SUB Plan was agreed upon between the Ford Motor Company and the United Auto Workers (UAW) in June 1955.[6] It had been preceded by a decade-long campaign by the UAW for the creation of a Guaranteed Annual Wage (GAW) plan.[7] As proposed by the UAW, the GAW plan would have required the auto companies to assure an income guarantee for all hourly employees on the payroll at a rate of 40 hours per week over a consecutive 52 week period irrespective of a worker's actual employment during that time.[8] According to the UAW proposal, surplus labour could be placed on public unemployment benefits which would then be further supplemented by company funds. In doing so, laid-off workers would receive 100% of their weekly take-home pay for the entire calendar year of their contract. However, in establishing its SUB Plan, Ford and the UAW reached a compromise on this issue. As a result, Ford agreed to endow a trust fund of $55 million from which cash transfers would be used to supplement the state unemployment benefits to which hourly workers would be entitled equalling between 60% and 65% of a worker's previous weekly earnings during the first 26 weeks of a lay-off (Cartwright 1955, 933 & 934; Becker 1968, 20).

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[6] Ford-UAW 1955 Contract, 'Agreement Concerning Supplemental Unemployment Benefit Plan' *Labor Relations Reference Manual: Collective Bargaining and Industrial Practices*. 36 LRRM, 1955: 64 – 82.
[7] The issue of GAW was widely debated within the labour movement as well as throughout the corridors of industry between the 1940s and the 1950s.
[8] See: 'UAW Proposed Plan for Guaranteed Employment in Industries within Jurisdiction of UAW-CIO Explained', *Labor Law Journal* 6 (2), 1955: 138.

Many of the early SUB plans introduced during the mid-1950s followed the benefit characteristics set by the original Ford-UAW agreement. Yet, during the course of the 1960s the level of supplementation was significantly increased in subsequent collective bargaining agreements in many sectors to between 80% and 95% of previous wages when combined with state benefits and extended to 52 weeks of coverage (Martin 1983, 51). By 1975, some 98% of cement workers, 95% of rubber and plastics workers, 82% of automotive and aerospace workers, 70% of steel and aluminium workers and 61% of apparel workers were covered by SUB plans (BLS, 1977). According to the US Bureau of Labor Statistics, by 1975, roughly half of all workers under contract in the manufacturing sector were covered by these plans (BLS 1977).[9]

Power Resource and Employer-centric Approaches to the Welfare State

Since the 1980s the predominant analytical framework for studying differences between national welfare states has been the power resource theory. According to this perspective, variations between countries in the generosity and coverage of their public social policies, such as healthcare, pensions and unemployment insurance, can be attributed to the historical influence of organised labour and left-of-centre parties in the national political process (see e.g. Korpi and Shalev 1979; Stephens 1979; Korpi 1983; Esping-Andersen 1985, 1990). Proponents of this approach have contended that the development of the modern welfare state has been essentially the product of past conflicts between workers and employers over social reform which mostly took place between the early and mid-twentieth century. Whilst organised labour had pressed for legislation which would insure workers against social risks such as illness, old-age and involuntary job loss, employers had uniformly fought to prevent the introduction of such protections. Consequently, the establishment and expansion of public social policies in advanced political economies was only achieved as a result of employer concessions to worker demands. For instance, supporters of this perspective have argued that whilst the development of comprehensive social programmes in Sweden can be accounted for by the strength or power resources of that country's labour movement, the emergence of less generous public welfare in the United States can similarly be explained by the far weaker position of American unions as a national political force.

Although the power resources theory has been highly influential in providing a convincing explanation for the establishment and growth of national welfare states, it has been more recently challenged by a series of influential studies focusing on the importance of employers in these developments. Integral to the employer-centric perspective has been the argument that under certain circumstances firms have had a vested interest in the promotion of certain social insurance programmes (see e.g. Swenson 1991, 2002; Mares 2001, 2003). As a result, this view has questioned many of the basic assumptions regarding how and why welfare states develop. The most recent research on the comparative political economy of the welfare

[9] This is contrasted with 2.9% of workers covered by supplemental unemployment benefit plans in non-manufacturing industries (BLS 1977).

state has prompted a conceptual shift away from the long-held idea that social policies and economic production regimes essentially do not interact since they are representative of totally different spheres of activity in the macro-economy (Pierson 2000, 793). Such an understanding has led many researchers during the post-war era to conceptualise social policies uniformly as institutional responses to market inequalities which were primarily designed to temper the ill-effects of such forces on the working poor. Based upon Karl Polyani's (1944) notion of social protection, this concept of the compensatory role of social policies has informed many of the assumptions underpinning the notion of cross-class power relations which inform the power resource approach. However, more recent research has shown that far from standing completely separate from economic production regimes, social policies are integral to their functioning (Pierson 2000, 793). This reinterpretation of the role of the welfare state in advanced political economies has in turn served as the conceptual premise for a fundamental shift in the way that social policies are themselves examined and analysed. Perhaps most significantly, this reorientation in the literature raises the possibility that companies can benefit from social policies since such programmes can often serve a necessary economic function in the business models of certain firms. In contrast to the notion of *politics against markets* espoused in the power resource literature (see e.g. Esping-Andersen 1985), employer-centric approaches have emphasised the *politics of markets* whereby social policies underpin and perhaps even enhance the effective functioning of markets (Estévez-Abe et al. 2001, 145; Iversen 2005, 8).

The Development of Corporate Policy

Although fully developed in post-war collective bargaining agreements, the origins of a public-private settlement for the unemployed as well as the principle of benefit supplementation for higher paid workers in the manufacturing sector were already apparent in the Detroit Metropolitan area by the 1920s. Unemployment benefits, partially funded by employer contributions, were paid to laid-off residents and their families by the Detroit Department of Public Welfare which had expenditures of $115,759 covering 3,160 families in 1929 rising to $1,581,981 covering 47,312 families in 1931 due to the depression (Levin 1932, 107). The Department of Public Welfare would check the employment record of applicants by sending a questionnaire to their last employer. In the case of the Ford Motor Company, laid-off workers residing in the Detroit Metropolitan area could receive both cash transfers and non-monetary aid from the Ford Welfare Department as well as public benefits. However, this form of relief was both inconsistent and often meagre. As are result, the Department of Public Welfare was often '…obliged to offer supplementary aid to Ford workers, "in full knowledge of the wages they were receiving" (as put by one of the district supervisors)' (Levin 1932, 104).

As the depression progressed, the capacity of such programmes was outstripped by overwhelming demand. In response to the explosion of unemployment and the sharp decline of consumer purchasing power during the early 1930s, Arthur L. Deane, President of General

Motors Holding Corporation, publicly proposed a comprehensive unemployment benefit and industrial stabilisation plan.[10] Unveiled in July 1933, Deane put forward a proposal outlining a 'Method for Automatically Sustaining Consumption and Eliminating Unemployment'.[11] Subsequently referred to as the 'Deane Plan', it called for employer contributions raised during peak periods of production to be placed in a national employment fund which would provide benefits for employees at 50% of their regular hourly pay should weekly employment fall below an estimated ten year average for the industry in which they worked (Hunnicutt 1988, 233). In this way, the 'Deane Plan' was said to present '…the idea of a job insurance rather than unemployment insurance fund' which, according to Deane, 'would be a "a permanent governor" on the economic machine'.[12] Although the plan was considered by President Roosevelt in January 1934 as an alternative to federal-state unemployment insurance proposals and reviewed as a bill (H.R. 1620) during the 73rd and 74th sessions of Congress, it was ultimately marginalised once the Social Security Bill was presented to the House Ways and Means Committee for approval (Hunnicutt 1988, 232 & 233).

However, the failure of the Deane Plan to pass into law did not discourage subsequent private experimentation in the automotive industry with either employment stabilisation or income security policies. The most prominent examples of such efforts were those explored and ultimately put into action by General Motors between the mid to late 1930s. According to Alfred P. Sloan, President of GM (1923 – 1937),[13] the company began considering a private approach to unemployment compensation in December, 1934 following the demise of the Deane Plan and just prior to the enactment of the Social Security Act of 1935. Sloan recalled that at the time a 'private insurance program' was advocated the general philosophy of which was the following:

> General Motors subscribes to the principle of accumulating reserves to be paid to employes [sic] in periods of involuntary unemployment. We also subscribe to the principle of joint contribution to such reserves by both employers and eligible employes [sic]. We also believe in the justice of a probationary period before any employe [sic] becomes eligible (Sloan 1963, 403).

Yet, as Sloan revealed, plans for a private unemployment compensation programme were shelved following the introduction of public unemployment insurance. Nevertheless, following this development, GM began to examine the possibility of reconciling the adverse effects of its cyclical and seasonal production trends on its hourly workers. In November 1935, Sloan announced a $60 million initiative in new capital spending for the establishment of a fund to smooth fluctuations in production and employment through the accumulation of inventory stocks

[10] The purpose of the General Motors Holding Corporation was to provide capital for investment in GM car dealerships (Sloan 1963: 288).
[11] 'New Recovery Plan Put Before Forum', *New York Times*, July 5, 1933: 20.
[12] 'Deane Explains Plan to Prevent Idleness: Fund Would Be Used to Keep Labor on the Job Instead of Paying the Unemployed' *New York Times*, January 14, 1934: 14.
[13] Sloan would serve as Chairman of General Motors until 1956.

of component parts.[14] In outlining this plan, Sloan explained that it was intended to 'better stabilize employment' so as 'to make possible increased annual earnings for automobile workers' as well as 'those of allied industries'.[15] Efforts to stabilise employment were complemented a few years later by the establishment of an Income Security Plan in 1939 which enabled workers with at least five years of service who had become temporarily laid off to receive cash payments borrowed without interest against future wages to be earned upon recall to the company (Sloan 1963, 404; Frutkin and Farwell 1955, 132; Jacoby 2004, 185). When combined with public unemployment benefits, this plan would provide 60% of a worker's previous weekly earnings.[16] The Company's advance on wages would only be recouped in the form of future work undertaken once a worker's income exceeded 60% of their pre-layoff weekly earnings.[17] At the same time GM set up a Lay-Off Benefit Plan for workers who had a minimum of two years of seniority but less than five of service (Sloan 1963, 404). This scheme operated on the same basic principle as the former but only provided a wage replacement rate of 40% prior weekly earnings.[18] In 1940, an amendment was made to the plan whereby loans which had not been repaid after three years were cancelled (Frutkin and Farwell 1955, 132). The programme was suspended shortly thereafter in 1941 when a combination of war-time labour shortages and defence contracts ensured full employment (Frutkin and Farwell 1955, 132; Sloan 1963, 404).

According to Sloan, the prospect of introducing a guaranteed employment plan was explored at GM in 1938 prior to the introduction of the company's income security and lay-off benefit programmes. However, there was considerable scepticism about whether an absolute employment guarantee could work effectively. This position was assumed by Donaldson Brown, Vice Chairman of the Company, who contended that should an annual wage be implemented, an unfavourable balance might have to be struck between the number of workers covered by such a plan and the number of hours guaranteed (Sloan 1963, 404). In Brown's opinion, either relatively few workers could be assured employment or the number of hours per worker would have to be limited. Writing in a memo to Sloan on 18th July 1938, Brown argued that the plan was potentially problematic because:

> The extension of a guaranteed annual number of hours of employment to a given segment of employes [sic] inevitably will tend to freeze the average hours of employment at that level. A plan of the kind would be taken as implying the purpose–in event of declining business–to spread work to the end of averaging hours at the guaranteed level. (Sloan 1963, 404).

[14] '$60,000,000 Outlay in General Motors: Plan of Additional Expansion is to "Better Stabilize Employment"' *New York Times*, November 3, 1935: F1.
[15] op. cit.
[16] 'Guaranteed Paychecks' *Time*, Monday November 21, 1938.
[17] op. cit.
[18] op. cit.

This would mean that in times of decreased production available work would have to be spread more thinly amongst a workforce which had been guaranteed a set number of hours which would necessarily lead to work-sharing. Despite such reservations regarding its viability, the prospect of guaranteed employment continued to persist within the corporation. Perhaps its greatest proponent was the independent management consultant, Peter Drucker, who was commissioned in 1943 to conduct a full-scale two year study of GM's management practices. Sponsored by Brown (Drucker 1978, 271), Drucker's main proposed reform in the area of labour relations was an annual wage for hourly workers which would provide the necessary stability and security through which management could enact needed technological change.[19] Appearing to take Brown's comments into consideration, Drucker concluded that: 'To be satisfactory, a guaranteed-wage plan neither should nor could include all workers. But if such a plan were confined to men with a few years' seniority…it would satisfy the workers (Drucker 1946, 169).'

It was out of GM's early exercises in experimentation and thought that the basic principles of post-war income security measures in the American manufacturing sector would emerge. In a discussion in 1943 with Charles E. Wilson, President and Chief Operating Officer of GM, Drucker outlined the ideas which would inform the SUB initiative. Drucker argued that the way forward was to '…develop a form of guaranteed income for the employe [sic] without destroying personal mobility and flexibility of labour costs' (Drucker 1978, 272 & 273). Whilst Wilson's response noted the problems which the company had faced in the past in this area, he agreed that such policies needed to be re-explored. As Drucker (1978, 274) recalled, Wilson explained that: '"We did…work on guaranteed annual wages for GM workers way back in 1935…We gave up. We could not work out a meaningful guarantee that wouldn't bankrupt any business, even GM. You have convinced me that we need to try again."' According to Drucker, it was from these interactions and subsequent research by Wilson's personal staff that the idea of supplementing public unemployment benefits was ultimately born.

Drucker's observation that there necessarily had to be a balance between guaranteeing employment and the adaptability of internal labour markets would become the cornerstone of SUB plans in the American manufacturing sector. A closer examination of GM's earlier efforts reveals an implicit logic which would be retained in future incarnations. Drucker's (1946, 169) emphasis on the need for an assurance of job security for a core segment of the industrial workforce would be realised as a key component of SUB plans whereby layoffs were undertaken in the sequence of worker seniority. As outlined in the first SUB agreement between Ford and the UAW, the duration of benefits were weighted so that coverage would be more extensive for those workers with a longer tenure.[20] In addition, it would appear that GM favoured the idea of being able to layoff workers temporarily during periods of decreased production rather than

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[19] Whilst Drucker's recommendations on this issue did shape thinking within American industry on employment stability and income security, his suggestions were most famously adopted by large Japanese manufacturers whose 'life-time' employment provisions and decentralised business model are widely believed to have been highly influenced by Drucker in the immediate aftermath of the Second World War. For an overview please see: 'The Man Who Invented Management: Why Peter Drucker's Ideas Still Matter', *Business Week*, November 28, 2005: 96.

[20] Ford Motor Company *The Ford Supplemental Unemployment Benefit Plan*. Dearborn, Michigan: Ford Motor Company, 1955: 6&7.

diluting productivity per worker through work-sharing arrangements. This factor had apparently prevented the adoption of a guaranteed annual wage plan in 1938, as exhibited by Donaldson Brown's protestations at the time.

However, one of the core principles of both the Income Security and Lay-Off Benefit plans which management at GM seemed to favour was the ability to keep workers connected to the firm during temporary periods of involuntary dismissal. This provision, as expressed through the stipulation that workers repay the company in the form of future work, enabled GM to recall those previously laid-off after production had once again increased. Management could therefore maintain efficiency by reducing the size of the workforce to meet changing requirements on the shop floor whilst at the same time retaining surplus labour for future production needs. This principle would become embedded in the logic of all industrial SUB programmes. As Drucker pointed out two years after the first plans had been negotiated in the automotive industry, the purpose of SUBs was '…to pay workers that are laid off but not finally dismissed, over and above the compensation they are entitled to receive from unemployment insurance.'[21] A similar and even more detailed observation was made by Schaffer in her in-depth case study of the operation of SUBs at the Atlantic Steel Company. As Schaffer (1968, 93) noted:

> …there appears to be greater stabilization in terms of worker attachment to Atlantic Steel…Workers on layoff are seldom placed on other jobs by the state employment agency, since the agency and other employers view the worker as an employee of Atlantic Steel who is likely to be recalled. According to the personnel supervisor at Atlantic Steel, workers on layoff were placed in other jobs more often before the advent of SUB than after.

In many industries, workers who were temporarily laid-off due to slackened production or plant retooling would be placed on an SUB roster which was divided into various occupational skill categories (Weber 1963). In addition, each worker would be assigned to a 'labour market' which encompassed the local area of the plant in which they had been employed. Benefit recipients could therefore be recalled to work at any facility within a specified radius (Weber 1963). Employer-union agreements were also in place which facilitated the transfer of laid-off workers to plants beyond their immediate labour market to other geographical locations. Consequently, it would appear that SUB plans did play an integral role not only in the retention of worker skills but also in enabling firms to pursue flexible production strategies. Moreover, these programmes also helped to reduce union resistance towards the introduction of new automation technologies which were introduced throughout the course of the 1950s and 1960s (Somers, Cushman and Weinberg 1963).

[21] Peter F. Drucker, 'The Problems of Maintaining Continuous and Full Employment' Remarks Submitted to the Eleventh International Management Conference, Paris, June 1957, on behalf of the American Delegation: 7.

In May 1946, Alfred Sloan began exploring the ways in which GM could develop a supplementary unemployment benefit plan that could address union concerns and yet at the same time limit costs. In an internal company memo, he proposed: '…if we could determine what the limitations are we might get ahead of the pressure that is going to be put on us, and determine in our own way and in a factual way, just how far it would be practical to go, which might result in a better relationship between our people and ourselves without liability of paying for work that was not accomplished (Sloan 1963, 405).' According to Drucker (1978, 274), Wilson and his staff had developed a working plan to supplement unemployment insurance by the early part of 1947. Yet when Drucker asked Wilson '"When are you going to put it into effect?"', he replied '"I am never going to put it into effect…I grudgingly yield to a union demand for it when I have to."' Wilson, who had himself formerly been a patternmaker and union leader, explained that his first-hand knowledge of the workings of organised labour meant that he inherently understood that the UAW would not accept a company proposal unless it was something which had been hard fought and ultimately won. As Wilson expounded:

> …"the union leaders won't go along unless it's a 'demand' we resist and they 'win'"…"If it's to be of value to a union, it's got to be a hard-won gain. No union can believe that what management offers can be anything but harmful to the union and its members as well. Sure, I'll plant the idea – I know enough UAW people. But we'll yield to them, after a great show of reluctance, only when it's worth something to them. The time will come (Drucker 1978, 274).

Although Wilson provides unique insight into GM's collective bargaining strategy, his comments also suggest that any support for offering extra-statutory compensation within the firm was kept strictly confidential. Whilst this mostly seems to be the case, there were nevertheless instances in which GM's flexibility on such issues was publicly expressed. Reflecting on the earlier success of the Company's Income Security Plan, Stephen M. Du Brul, Director of GM's Labor Economics Section, remarked during a conference held by the Economic and Business Foundation in April 1946 that this policy and others like it '…together with unemployment compensation, go a long way toward achieving stability of income with irregular employment and from that point of view are to be recommended' (Kaplan et al. 1946, 196). Despite emphasising that such plans do not assist 'people for not working', echoing Sloan's concerns about making payments 'for work that was not accomplished' (Sloan 1963, 405), Du Brul advocated that 'further experimentation along these lines is recommended' (Kaplan et al. 1946, 196).

Insights into Corporate Policy Preferences

In contrast to the approach outlined above by GM's Charles Wilson, Ford was much more publicly open about its intentions. Writing in an article published in September 1946, Henry Ford II explained that whilst he sympathised with the concerns of American workers to obtain greater income security and employment stability, the GAW could not be implemented because it was too impractical.[22] By January of the following year, however, Ford was publicly advocating supplementing public unemployment benefits as a viable alternative to the GAW. As Ford explained: 'People also tend to forget the large amounts which employers pay toward unemployment insurance, another aspect of the basic pattern for the protection of the employe [sic]…The challenge to management is to find ways of supplementing this basic pattern wherever practicable.'[23] Whilst neither Ford nor GM accepted the premise of a GAW plan, management at both companies would appear to have been in favour of private supplementation for nearly a decade prior to the negotiation of the industry's first plans.

In endorsing its SUB plan, company representatives publicly acknowledged that a deciding factor in the firm's decision-making on this issue had been the paucity of state unemployment benefits. Writing in June 1955 immediately following Ford's agreement with the UAW, John Bugas, Vice President of Industrial Relations, wrote that: 'There were inadequacies in State Unemployment Compensation systems, primarily in the level of benefits, but also in some states in duration.'[24] As Bugas argued, 'The inadequacies in State Unemployment Compensation systems would be remedied slowly and unevenly, and might never be remedied in some locations. Thus, the pressure for some sort of supplementation (which the Union called "Guaranteed Annual Wage") would not cease or diminish, but in all probability would grow.'[25] Expanding on these same statements some months later, Thaddeus J. Obal, Senior Analyst in the company's Economic Analysis Department, explained that: 'Frankly, we would have preferred to see the inadequacies remedied directly through the State systems. We still feel that the State systems should carry the primary responsibility of unemployment compensation. Nevertheless, we felt a special responsibility to our employees to cushion the effects of lay-offs, especially those which are characteristic of the auto industry's annual model changeovers.'[26] In a speech delivered just two days after the Ford-UAW agreement, George P. Hitchings, Manager of the Economic Analysis Department, revealed that whilst 'an extension of the government program'

[22] Henry Ford II, 'The Goal of Steady Employment' *Commercial & Financial Chronicle*, September 19, 1946: 1454 & 1466.
[23] 'Would Retain Incentive', *New York Times*, January 13, 1947: 3:5.
[24] Ford Motor Company *The Ford Supplemental Unemployment Benefit Plan*. Dearborn, Michigan: Ford Motor Company, 1955: v.
[25] op. cit.
[26] Thaddeus J. Obal, 'The Ford Supplemental Unemployment Benefit Plan', prepared for delivery before the Cleveland Chapter of the American Statistical Association, Union Commerce Building, Cleveland, Ohio, November 3, 1955, Accession 1856, Box # 4, Executive Speech Collection: 3; Ford Motor Company Archives, Benson Ford Research Center, The Henry Ford Museum, Dearborn, Michigan.

would have been 'a preferable method',[27] it was the union which believed that '…raising the benefit structure in all of the states is too uncertain and slow a process.'[28] However, comments made by other senior executives suggested that the Company was itself dissatisfied with the present state of public unemployment insurance to point that some kind of initiative was required. This view was clearly expressed by Malcolm L. Denise, General Industrial Relations Manager for Labor Relations, who explained that: 'It did not appear to us, however, that a majority of the states in which we operate were likely to raise their benefit structures to the levels we were prepared to accept for our own part in the immediate future.'[29]

Such endorsements in support of State Unemployment Compensation and even dissatisfaction over its shortcomings were not limited to public statements. Rather, there is also considerable evidence from internal company meeting minutes, memoranda and correspondence which demonstrates that Ford executives advocated the expansion of unemployment insurance behind closed doors as well. During a meeting of the Company's Industrial Relations Subcommittee on 28th January 1955 convened by John Bugas and attended by top senior executives, including Henry Ford II, Robert S. McNamara, President of the Ford Division, and Ernest R. Breech, Chairman of the Company, the relationship between State Unemployment Compensation and the GAW was discussed in detail. Turning to the issue of unemployment insurance in particular, a consensus emerged amongst those present that Ford should take a position on directly improving state benefits. This approach was initially outlined in a presentation by Karlton W. Pierce, Manager of the Company's Industrial Relations Analysis Department. According to Pierce, the future of public unemployment compensation was of interest to the Company not only because of the impending GAW issue, but also because of legislation then under consideration in a number of state legislatures.[30] It was therefore argued that the stance which Ford would assume on this issue, 'even one of neutrality', would likely have implications on the contract negotiations to be held later in the year. In his presentation, Pierce suggested a number of positions which the firm might take on various legislative proposals.

Regarding legislation which would permit the private supplementation of state benefits, it was recommended that Ford oppose reforms to existing laws for the time being. It was reasoned that this probably would not have negative repercussions for negotiations with the UAW and that

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[27] Hitchings goes on to say that: 'It would be better to raise benefit levels, if it were agreed by all concerned that such levels are too low at the present time.'

[28] George P. Hitchings, 'The Ford-UAW Agreement and The Guaranteed Annual Wage', speech delivered before the Machinery & Allied Products Institute Annual Washington Conference, June 17, 1955, Accession 1856, Box # 4, Executive Speech Collection: 1 & 8; Ford Motor Company Archives, Benson Ford Research Center, The Henry Ford Museum, Dearborn, Michigan.

[29] Malcolm L. Denise, 'The 1955 Ford-UAW Contract', a talk prepared for delivery September 26, 1955, in New York City before the Fall Personnel Conference of the American Management Association, Accession 1856, Box # 4. Executive Speech Collection: 8 & 9; Ford Motor Company Archives, Benson Ford Research Center, The Henry Ford Museum, Dearborn, Michigan.

[30] Karlton W. Pierce, 'Unemployment Compensation and the Guaranteed Annual Wage Issue', presentation given to the Industrial Relations Subcommittee, January 28, 1955, Accession 1933, Box # 1, Folder # 17: 'Industrial Relations Committee Meeting Minutes: Unemployment Compensation, Guaranteed Wage': 21; Ford Motor Company Archives, Benson Ford Research Center, The Henry Ford Museum, Dearborn, Michigan.

even should a 'modified form of GAW' be agreed, the Company might still not wish to '…have the laws changed on supplementation.'[31] This suggestion is notable since it implies that management may have been reluctant either to privately supplement state unemployment benefits in the first place or may have wished to simply argue that current laws made supplementation impossible. The latter point would become particularly relevant to the actual enactment of the negotiated SUB plan. In its final agreement with the UAW, Ford insisted that payments from the fund were entirely conditional upon favourable administrative rulings from both the Internal Revenue Service (IRS) as well as from legal authorities in states in which Ford employees comprised at least two-thirds of the Company's overall workforce.[32] Interestingly, Pierce's public position on company policy towards supplementation would change by year-end. Speaking at a conference held by the Industrial Relations Research Association in December 1955, Pierce took a very different stance to that offered in his presentation prior to the negotiations. Referring to the consistency of Ford's SUB Plan with state unemployment insurance systems, Pierce concluded that: 'We shall continue to support integration with the state system benefits and to oppose efforts to prevent it through state legislation or otherwise.'[33] This transformation of opinion may have likely stemmed from decisions already taken prior to December by both the IRS and attorney generals in key states which ruled positively in areas concerning tax liability and state benefit eligibility.[34]

Another of Pierce's key recommendations was that the Company presently stand '…in favor of a maximum duration of 26 weeks in all states' since 'such a position would cause the least amount of discussion and have little effect on our negotiations.'[35] This conclusion seems to have been reached on the basis that it was unrealistic to expect that an extension beyond this period could be passed in most states. Whilst it is acknowledged in the presentation that Arthur Burns, Chairman of President Eisenhower's Council of Economic Advisors, had recently informally endorsed 39 weeks of duration as a positive counter-cyclical measure, Pierce believed

[31] op. cit.: 22.
[32] Please see: 'The Effect of Receiving Supplemental Unemployment Benefits on Eligibility for State Benefits', *Harvard Law Review* 69 (2), December, 1955: 362 – 373. Article X of the Ford-UAW agreement on SUBs stipulated that 'The Company shall not be required at any time to make any contribution to either the General Fund or the Defense Fund unless and until it shall have received from the Commissioner of the Internal Revenue a currently effective ruling or rulings, satisfactory to the Company, holding that such contribution shall constitute a currently deductible expense under the Internal Revenue Code of 1954…', Ford-UAW 1955 Contract, 'Agreement Concerning Supplemental Unemployment Benefit Plan' *Labor Relations Reference Manual: Collective Bargaining and Industrial Practices*. 36 LRRM, 1955: 73. In addition, it is stated that: 'No Benefit shall be payable with respect to any pay period that commences prior to June 1, 1957, unless it shall have been established to the satisfaction of the Company, by administrative rulings from competent state authorities, or by statutory amendments, in states in which (in the aggregate) at least two-thirds (2/3) of the employees on the active employment role…are employed, that supplementation…is permitted.', op. cit.: 74. It should be noted that both of these conditions would be met.
[33] Karlton W. Pierce, 'Discussion', *Proceedings of the Eighth Annual Meeting*, L. Reed Tripp (ed.), Industrial Relations Research Association, New York City, December 28 – 30, 1955: 185.
[34] 'The Effect of Receiving Supplemental Unemployment Benefits on Eligibility for State Benefits', *Harvard Law Review* 69 (2), December, 1955: 364. By 1962, 44 states had accepted the supplementation state benefits. An outright objection of this principle had only been recorded by State Attorney Generals in Maine and Virginia. See: 'Unemployment Insurance: Supplemental Unemployment Benefit Plans', *Duke Law Journal*, 4, Autumn, 1962: 607.
[35] op. cit.: 22.

that the adoption of such a proposal was highly unlikely and so suggested that the Company assume a more neutral position on this issue.[36] This stance would therefore appear to be based more on an assessment of the current political climate rather than grounded in any particular opposition to Burns' proposal. However, it may also be reasoned that such a view was again rooted in management's functional expectation that since lay-offs in the industry were primarily temporary in nature, it was only required that workers be protected against the risk of unemployment for a maximum of six months. Yet, as economic circumstances changed in future years so did the policy position of the Company on the issue of benefit duration.

The introduction of a Federal-State Extended Benefit programme with the passing of the Employment Security Act of 1970 during the first Nixon Administration had stipulated the provision of extended benefits during periods of recession and above-normal levels of unemployment. Between 1972 and 1973, during the course of the second Nixon Administration, benefit duration was lengthened to 52 weeks (Vroman 1990, 20). However, in 1974 coverage was shortened to a maximum of 39 weeks in response to a slightly improved economic outlook. In a proposal made at President Gerald Ford's Business and Industry Conference on Inflation held in Detroit, Michigan in September of that year, Henry Ford II nevertheless advocated that state benefits be extended once again back to a full year.[37] This recommendation would be expanded upon still further by President Ford during his first twelve months in office when he proposed an unprecedented extension in the duration of unemployment benefits from 39 weeks to 65 weeks which came into effect between 1975 and 1976.[38] Henry Ford II's comments were joined by other employers such as John Platts, Chairman of Whirlpool Corporation, who spoke in favour of a '…national unemployment compensation plan that would be uniform across the nation' and which would therefore reform the unemployment insurance system's decidedly decentralised nature.[39]

However, despite the Ford Motor Company's acceptance of the status quo regarding benefit duration in 1955, its position on benefit levels during this period diverged considerably from that expected of an employer in a liberal economy, especially the United States. Calculating the average wage replacement rate of 'non-supervisory production workers in manufacturing' in Michigan, a state recognised as having 'one of the highest benefit schedules' in the country at the time, Pierce reported that '…the maximum weekly benefit presently payable to a single worker is 42.0%...during the first ten months of 1954, after a deduction of federal social security and income taxes…'[40] Turning to the replacement rates of production workers with either a dependent spouse as well as one, two, three or more dependent children, he found

[36] op. cit.: 9 & 22.
[37] Vincent R. Courtenay, 'A full year of jobless pay is proposed by Henry Ford', *Detroit News*, September 19, 1974.
[38] President Gerald R. Ford, 'Interview in Milwaukee With Television Reporters' (501), August 25, 1975, *Public Papers of the Presidents of the United States: Gerald R. Ford, Containing the Public Messages, Speeches, and Statements of the President, 1975*. Book II: July 21 To December 31, 1975 (Washington D.C.: Office of the Federal Register, National Archives and Records Service, General Services Administration): 1217.
[39] Vincent R. Courtenay, 'A full year of jobless pay is proposed by Henry Ford', *Detroit News*, September 19, 1974.
[40] Pierce, 'Unemployment Compensation and the Guaranteed Annual Wage Issue', January 28, 1955, Accession 1933, Box # 1, Folder # 17: 11; Ford Motor Company Archives.

that these rates ranged between 43.3% and 52.0%. As a result, it was argued that: 'If a maximum benefit of 50% of the after-tax average wage of a production worker is to be considered adequate, the Michigan maximum benefits would be classed as somewhat inadequate in all family classes except for people with a dependent spouse and at least two dependent children.' Yet, he continued, a very different picture of benefit generosity emerged when maximum weekly benefits in Michigan were compared to 'essential living cost needs' as gauged by the US Bureau of Labor Statistics' 'City Workers Modest But Adequate Budget' scale, a table derived from the calculation of contemporary minimal living costs by family class:

Table #1: Comparison of Essential Living Costs with Michigan Maximum Benefits

	Essential Living Costs	Michigan Max. Benefits
Single person	$23.00	$30.00
2 person family	$32.50	$32.00
3 person family	$42.00	$37.00
4 person family	$50.00	$40.00
5 person family	$57.50	$42.00
6 person family	$64.00	$42.00

Source: table reproduced from: Karlton W. Pierce, 'Unemployment Compensation and the Guaranteed Annual Wage Issue', presentation given to the Industrial Relations Subcommittee, January 28, 1955, Accession 1933, Box # 1, Folder # 17: 'Industrial Relations Committee Meeting Minutes: Unemployment Compensation, Guaranteed Wage': 12; Ford Motor Company Archives, Benson Ford Research Center, The Henry Ford Museum, Dearborn, Michigan.

As can be seen in the table above, the wage replacement rates of laid-off Michigan production workers with families were completely outstripped by the cost of basic needs as estimated by the Bureau of Labor Statistics. This prompted Pierce to conclude that: 'Although present maximum benefits are more than enough to meet the essential living costs of a <u>single</u> person, they are <u>not</u> high enough to meet the essential living cost needs of <u>persons with children</u>'.[41] It was therefore argued that there were grounds for '…increasing somewhat the maximum weekly benefit for persons with large families, especially those with higher than average earnings' as was typically the case in the automotive industry. Yet, any attempt to do this, Pierce admitted, would present a definite break with business attitudes towards unemployment insurance. As Pierce explained: 'such a proposal would be in opposition to traditional employer arguments that U.C. benefits should be considered <u>"insurance"</u> based solely on prior wages rather than on "need". However, an argument on the other side is that, although the unemployment compensation program is called an insurance program, it is nevertheless a <u>public</u>, <u>social</u> program whose <u>fundamental</u> purpose is to meet at least the essential living cost needs of laid off persons.'[42]

According to Pierce, existing levels of state unemployment compensation needed to be improved on two accounts. To begin with, since existing replacement rates disadvantaged workers with dependents, benefits for these individuals needed to be increased. In addition, there was concern over the earnings-related aspect of state unemployment compensation. In

[41] op. cit.: 12.
[42] op. cit.

particular, the question arose as to whether beneficiaries at a higher level of income to that set as the state average, namely individuals who had been employed in the automotive industry, would '...get adequate benefits in relation to their wages.' In addressing both of these issues, Pierce formulated an 'alternative' scale aimed at re-centring benefit levels and graduating their generosity depending on the size of a worker's family. Under this regime, the revised replacement rates for three different categories of wage earners can be calculated. The first category is the lowest income bracket recorded on Pierce's scale and constitutes those workers in the state of Michigan with prior gross weekly earnings of $30.00. The second category is the median income bracket and comprises the average prior gross weekly earnings, at the rate of $83.12, of the average production worker employed in the manufacturing sector in the state of Michigan during the first 10 months of 1954. The third category represents the prior gross weekly earnings of the average Ford production worker in the state of Michigan in December 1954 which is calculated at $100.00. Replacement rates are provided for each category of worker depending on the number of dependents attached to that beneficiary.

Table #2: Replacement Rates of Prior Net Weekly Earnings by Dependents

Worker Category	Prior Gross Wage	No Dependents	2 Children	4 Children
Low Wage Worker	$30.00	66.7%	73.0%	77.0%
Average Production Worker	$83.12	49.2%	57.3%	63.9%
Ford Production Workers	$100.00	41.4%	51.5%	54.4%

Source: table partly reproduced from: Karlton W. Pierce, 'Unemployment Compensation and the Guaranteed Annual Wage Issue', presentation given to the Industrial Relations Subcommittee, January 28, 1955, Accession 1933, Box # 1, Folder # 17: 'Industrial Relations Committee Meeting Minutes: Unemployment Compensation, Guaranteed Wage': 17; Ford Motor Company Archives, Benson Ford Research Center, The Henry Ford Museum, Dearborn, Michigan. Replacement rates for average production worker calculated independently based on data provided by this report.

Although Pierce concluded his study with a potential strategy for 'liberalizing' unemployment compensation through lobbying in various state legislatures,[43] his proposed revisions to existing state benefit levels were clearly not intended to provide overly generous replacement rates for Ford workers. As a consequence, it would seem that despite the fact that Ford employed sizeable numbers of trained skilled trades workers with highly specialised skills, Pierce would appear to have felt that the relative security of their employment did not necessitate higher replacement rates to facilitate their retention.[44] Moreover, it was likely perceived that average semi-skilled workers at Ford who had developed skills specific to their production tasks were also not in need of significantly higher replacement rates given the temporary nature of unemployment in the industry unless those workers had families with multiple dependents.[45]

[43] op. cit.: 22.
[44] Skilled trades workers received higher differentials in comparison to semi-skilled workers and so would have necessarily have had lower wage replacement rates than the average Ford production worker.
[45] It is argued that even semi-skilled workers in the American auto industry would have possessed industry-specific skills which might have been valued by the auto companies. This possibility is considered by Doeringer and Piore (1971: 15) who state that: 'The apparently routine operation of standard machines can be importantly aided by familiarity with a particular piece of operating equipment. Even mass-produced machines have individual operating characteristics which can markedly affect work performance.'

Yet, this is not to say that all American manufacturers during this period believed that earnings-related differentials between more highly paid skilled workers and more lowly paid workers were unnecessary. In fact, the very opposite view was expressed by the General Electric Company. Whilst management at GE staunchly opposed the GAW proposal put to the firm by the International United Electrical, Radio and Machine Workers of America (IUE) in 1954 based on GE's previously unsuccessful employment security plan during the 1930s,[46] like Ford it was interested in improving state benefit levels. However, GE's management specifically referred to the need to raise unemployment benefits for skilled workers to new levels. The Company noted that for '…some with higher skills and longer service, it would seem appropriate now to consider the fairness of extending the limit upward, at say 50 per cent of pay to some appropriate new ceiling…'[47] GE's support for the expansion of state unemployment benefits would continue even after the general subsidence of union GAW demands following the negotiation of the Ford-UAW SUB plan in June 1955. In submitted testimony before Congress in October, 1955 regarding the socio-economic impact of the introduction of automation technologies the firm's position was elaborated. As Ralph J. Cordiner, President of the Company, stated: 'Just this year, 34 states enacted new laws increasing unemployment compensation benefits, which our Company thoroughly believes in and supports…We are heartily in favour of unemployment compensation as a fair way of helping out those who for any reason are out of work.'[48]

Ford, which held a similar policy position, directed its efforts into an initiative to enhance state laws. In response to Pierce's presentation, Ernest Breech proposed that 'Guaranteed Annual Wage' be substituted by the term 'private supplemental compensation' comprising of a '…contributory supplemental plan in which employees would pay a part as a possible means of allowing supplementation to our present State Unemployment Compensation.'[49] John Bugas argued that '…in respect to increasing benefits of State Unemployment Compensation, it was important that the Company should arrive at a position to be taken in private before various committees…', since he believed that '…the Ford Motor Company might influence the action of some of these committees to a great extent.'[50] However, Ernest Breech was concerned that such a position might be construed as being a forced reaction done 'under pressure' and lamented that '…we should have adopted a program of this sort two years ago.' Ultimately, it was agreed that the Company would '…develop a program relative to increasing the benefits of State Unemployment Compensation and that this program would be submitted to the Executive Committee.'[51] During the Industrial Relations Subcommittee's subsequent 9th March 1955

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[46] See: 'G.E. Assails Annual Wage Idea', *New York Times*, October 7, 1953: 46; 'Union at G.E. seeks Wage Guarantee', *New York Times*, April 20, 1954: 18.
[47] General Electric Company, 'Employee Relations Newsletter', May 5, 1954.
[48] Ralph J. Cordiner, President, General Electric Company, 'Testimony on Automation: Before the Subcommittee on Economic Stabilization, Joint Congressional Committee on the Economic Report', Washington D.C., October 26, 1955: 11 & 16; Archives of The Employers Association of Detroit, Detroit, Michigan.
[49] 'Industrial Relations Subcommittee, Minutes of Meeting', January 28, 1955, Accession 1933, Box #1, Folder # 17: 'Industrial Relations Committee Meeting Minutes: Unemployment Compensation, Guaranteed Wage': 2; Ford Motor Company Archives, Benson Ford Research Center, The Henry Ford Museum, Dearborn, Michigan.
[50] op. cit.: 2.
[51] op. cit.: 2 & 3.

meeting, the firm adopted a decisive approach to extending the duration of public unemployment benefits. In this meeting, it was agreed that: '…Company representatives would work in conjunction with interested groups in the various states, and would join in concurrent efforts to have the laws improved in other respects, as local situations might make it appropriate.'[52] However, in accepting this proposal the committee stressed it would be selective regarding the states in which such efforts would be made. This was stated in the following terms: 'This recommendation was accepted with the proviso that it would not apply in states where the local situation made a duration of something less than 26 weeks more appropriate. (As an example, study has shown there is no need for such an amendment in Virginia because its economy is primarily agricultural.)'[53] Consequently, it is clear that Ford's preference was to increase public unemployment benefits. Although this was partly a response to the perceived impracticality of the UAW's GAW demand, it also related to the historical position of employers in the industry to prefer unemployment compensation over rigid employment guarantees.

Conclusions

Reconsideration of the role of American employers in shaping social policies is particularly needed in the study of post-war welfare development. Although the importance of organised labour cannot be underestimated, it is clear that business in the United States was not consistently opposed to welfare state programmes nor was it necessarily against the potential of private action in this sphere. Evidence of employer support for the improvement of publicly-provided unemployment insurance as well as the establishment of privately-provided benefit plans therefore present important counter-examples to many of the assumptions which have informed theory-building in the comparative political economy literature. Whilst the VoC approach has provided valuable analytic tools for explaining why divergent approaches to social policy have supported different kinds of capitalist production, its emphasis on institutional complementarities has also helped to obscure important instances of varieties of firm behaviour within national capitalist typologies. In attempting to account for why certain types of firms would appear to deviate from dominant corporate practice whilst the majority clearly do not, it is necessary to methodologically revaluate the approach upon which such theories have been based. Even though VoC has been presented as a firm-centred theoretical framework, relatively little firm-based evidence has been marshalled to support its primary contentions. Since it has predominantly focused on production regimes, its microfoundations have instead rested upon the analysis of a combination of macroeconomic and macrosocial data. However, as can be seen in the cases of both corporate extra-statutory benefits and employer positions towards state unemployment compensation, closer attention to individual company case histories can be

[52] 'Industrial Relations Subcommittee, Minutes of Meeting', March 9, 1955, Accession 1933, Box #1, Folder # 19: 'Industrial Relations Committee Meeting Minutes: Unemployment Compensation': 3; Ford Motor Company Archives.
[53] op. cit.: 2 &3.

crucial in highlighting overlooked yet important trends in economic governance. In doing so, wider patterns may be discerned.

In order to explain the social policy developments which have been examined in the American manufacturing sector it might be necessary to look beyond the national institutional arrangements on which the VoC approach focuses and to analyse more closely the economic structure which underpins them. One possible hypothesis would be that there is a relationship between a country's industrial composition and the nature of national levels of social protection. It might therefore be suggested that cross-national differences in this area are ultimately dependent upon national concentrations of certain industrial sectors. The shear economic diversity of the United States in comparison with that of many other smaller developed economies might therefore help to account for the relatively weak nature of its public unemployment insurance despite evidence which demonstrates support from leading employers in the manufacturing sector. This would also help to explain why the majority of employers in other sectors of the economy remained steadfast opponents of welfare state programmes. Therefore, it is hypothesised that the social policy preferences of employers may be dependent upon the kind of production in which they are engaged. This concept raises the possibility that employers from the same industrial sectors may in fact maintain similar positions on key policy issues irrespective of the national and institutional context in which they operate. Greater levels of economic diversity may consequently have helped to prevent a broader consensus on unemployment compensation from forming and this in turn may have confined the establishment of SUB plans to firms in the manufacturing sector.

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