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The Impact of Employee Representation Plans Upon the Development of Management-Worker Relationships in the United States.

Carlos Ray Gullett
Louisiana State University and Agricultural & Mechanical College

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UPON THE DEVELOPMENT OF MANAGEMENT-WORKER
RELATIONSHIPS IN THE UNITED STATES.

The Louisiana State University and Agricultural
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THE IMPACT OF EMPLOYEE REPRESENTATION PLANS
UPON THE DEVELOPMENT OF MANAGEMENT-WORKER RELATIONSHIPS
IN THE UNITED STATES

A Dissertation

Submitted to the Graduate Faculty of the
Louisiana State University and
Agricultural and Mechanical College
in partial fulfillment of the
requirements for the degree of
Doctor of Philosophy

in

The Department of Management and Marketing

by

Carlos Ray Gullett
M.B.A., North Texas State University, 1964
August, 1970
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The author wishes to express his sincere thanks to Drs. Edmund R. Gray and F. Marion Fletcher for their guidance and encouragement in the writing of this dissertation. They have in a number of instances kept the research and writing from taking a wrong turn and have thus saved the writer from pursuing fruitless paths.

The nine firms which participated in this study were quite generous in allowing examinations of their records and in supplying the names of employees for interviews. Without their cooperation this study could not have been done.

Thanks for typing assistance is due to Peggy Pressley, Brenda Flaming, and to my wife, Sharon. A special thank you should be given to my wife for her understanding and frequent help during the preparation of this work.
The history of management thought in this country is a fascinating field of study. Perhaps its attraction lies in its reflection of the changing attitudes of society over the past one hundred years.

Management’s relations with workers, both as individuals and in organized groups comprise a significant portion of this history. This study has sought to investigate one segment of the evolving management-employee relationship, that of employee representation plans.

In the first few decades of this century organizations were undergoing significant changes. They were growing larger and thus taking on more bureaucratic characteristics. Labor unions were also growing, and by the end of World War I they were considered by many managements to be a significant threat to their businesses.

Both the growth of businesses and the growth of unions were factors which created and enhanced the problems which management had in effectively motivating its workforce. The response of a number of firms was to create an employee representation plan. These plans were designed to re-establish contact between the top and bottom levels of the large organization and to make it unnecessary for workers to affiliate with an outside labor organization.
This presentation takes the position that these plans made significant contributions to the development of personnel administration in the firms which used them. The description and analysis which follows presents this point of view in some detail.
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ABSTRACT

Employee representation plans, while usually acknowledged in the literature of personnel management and industrial relations, have never been comprehensively described and analyzed. A gap has thus existed in this area of management and labor history. The purpose of this research was to fill this gap and to provide new insights into the contributions of representation plans to the development of personnel administration in the United States. Implications for today's management-employee relations were also sought.

This study first provides a historical overview of the factors leading to the initiation, growth and development, and demise of employee representation plans in the United States. The analysis is divided into four time periods: The pre-World War I era; the period during the war; the decade of the 1920's; and the final years of employee representation in the 1930's. Forces influencing the plans in each time period are discussed.

A description of the formal design of representation plans is next provided. This information is supplied in order to give the reader added historical perspective and to gain insight into the role which managements saw for their plans.
An in-depth case analysis of the representation plan of Standard Oil Company of New Jersey follows. Data from both company files and personal interviews allow the subject to be treated in detail.

The hypothesized contributions of the plan to management-worker relationships in the above company are investigated. These contributions include: the effect of the plan upon communication channels; the plan's impact upon benefits received by workers and upon grievance processing; the relationship of the plan to the creation and growth of the personnel department; organization climate and the representation plan; the effect of the plan upon later unionization and development of union leaders. In each of these areas a positive relationship is found.

To verify or modify the conclusions of the Standard Oil Company of New Jersey investigation, a survey of eight other firms which utilized these plans is then undertaken. The hypothesized contributions of the plans are again examined in each of the eight companies. Substantially the same conclusions are reached.

Employee representation is thus found to have made a number of contributions to personnel administration in the companies which were investigated. These results are generalized to other firms which utilized representation. The rationale for making this generalization is explained in Chapter I of the study.
The research adds to the existing knowledge of management and labor history. It offers lessons for current-day managers with regard to their relations with non-union employees, especially the white collar and professional groups. Its lessons apply equally to governmental employees and to university students.
CHAPTER I

INTRODUCTION AND RATIONALE FOR THE STUDY

Employee representation plans, sometimes described as plans of industrial democracy or less flatteringly as company unions, were for the most part a phenomenon of the period between the two world wars. They were seen by some as practical idealism and an awakening of the new spirit of cooperation between the employer and his employees.¹ Others viewed them simply as devices to circumvent unionization of the work force and as a disguised paternalism.²

Employee representation in essence involved some form of formalized management-worker dialogue, usually implemented through shop committees composed of representatives of management and workers. Common problems, suggestions for changes in work methods, and grievances and requests of workers were common topics for discussion in such meetings. Representatives of both sides commonly voted on problems to determine their resolution. Deadlocked


²William Green, "The Challenge of the Union," American Federationist, XXXII (March, 1925), 161-164.
issues were resolved by higher management levels or in a few instances by impartial arbitrators.

The representation systems were in every company investigated initiated and sponsored by the employer, although employees were in some cases encouraged to aid in their design. These plans were restricted to one firm with the result that there were no local, regional, or national employee representation associations as are commonly found in labor union organizations.

The period of greatest strength for employee representation was the decade of the 1920's, although the national labor legislation of the 1930's resulted in the adoption of plans by some employers who had not previously been interested in them.

Throughout their existence, the representation systems were bitterly opposed by labor unions. They were viewed as designed and operated by the employer in order to manipulate employees and to keep unionization from occurring in their firms. In the 1930's, labor organizations played an active part in seeking legislation and court rulings which would eliminate the representation plans.

In 1938 a decision by the Supreme Court specifically outlawed employee representation systems. This effectively marked the end of their formal functioning in this country. They were ruled to be employer dominated labor organizations.

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and thus in violation of the provisions of the National Labor Relations Act. 4

The Problem

A survey of both current and historical literature on the subject of employee representation indicates that there is no comprehensive work on this subject. Fragmentary studies were undertaken during the early 1900's, but there has not been an in-depth study of employee representation and its influence upon management thought and practice and upon employee attitudes and behavior.

Present day references to the plans are most frequently found in texts dealing with labor economics, labor history, and personnel management. They are for the most part dealt with only briefly in these sources and are generally regarded as one of a kit of tools used by management to foster the open shop movement of the 1920's and to circumvent labor legislation of the 1930's. 5 Although there is much truth in such assertions, a thorough examination of existing sources of material on the subject reveals a number of unexplored contributions to present-day personnel management theory made by employee representation systems.

4Ibid.

**Purpose of the Study**

A thorough historical analysis of these representation systems should seek to accomplish three goals: first, to analyze extraorganizational and intraorganizational factors which led to the formation, operation, and demise of the plans; second, to discuss the functioning of the plans, both in formal design and in actual practice; third, to determine the impact of employee representation upon employer-employee relations. With reference to the third objective, the following areas are worthy of specific study:

1. The effect of the plans upon management's ability to effectively explain its actions.

2. The effect upon management's ability to better understand the feelings of workers as a result of the workers' asking more questions, making demands, and stating grievances.

3. The tangible gains received by employees working under the plans.
   A. Wages
   B. Hours
   C. Working conditions

4. The influence of the plans upon the creation or development of departments of personnel.

5. The impact of the plans upon the organization climate within the surveyed firms.

6. The effect upon the ability of labor unions to organize firms using employee representation plans.

7. The development of labor union leaders or negotiators from workers' representatives.

The writer sees the study's primary contribution as one of adding to existing knowledge of the evolving nature of management-worker relationships, particularly with
reference to behavioral assumptions and practices of management. Such a study can aid both the academician and the practitioner in better understanding how their field developed. The lessons learned through representation might also suggest at least partial solutions to personnel problems confronting management today.

Research Methodology

Research methodology included the collection of information from both primary and secondary sources. Secondary sources were books and periodicals, most of which were written during the period in which the representation systems were in existence. Although no one source yielded the sort of comprehensive analysis which this study will attempt, a significant amount of information was found which lent itself to synthesis and analysis.

Primary data were collected from the following sources:

1. Personal interviews
2. Written responses to questions
3. The files of cooperating companies

Only a relatively small number of the firms which used representation are in existence today. Twenty firms

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See Appendix B for the questionnaire used for these interviews and for written responses.
were contacted by mail. Information concerning the design and operation of the plan was requested. These companies included those which were given publicity in writings of the representation era and which are still in existence today. Although the identities of all firms which utilized employee representation plans may not have been discovered, three months of extensive secondary research were spent in gathering this type of information. The research indicated that many of the firms which used employee representation have since gone out of business or lost their identities through merger or acquisition. A look at representation membership figures (given in Chapter II) indicates that there were companies which adopted and used plans but apparently received no publicity. The literature did indicate that many of the smaller and lesser-known firms followed the patterns set by the better publicized plans of the larger organizations. In 1926 there were 913 plans reported as functioning in the United States.

7These firms were Standard Oil Company of New Jersey; Standard Oil Company of Ohio; Standard Oil Company of Indiana; Filene's of Boston; Westinghouse Electric Corporation; Revere Cooper and Brass, Inc.; Dennison Manufacturing Company; General Electric Company; Goodyear Tire and Rubber Company; Proctor and Gamble Corporation; Eastman Kodak Company; Durham Hosiery Mills; Hart Schaffner, and Marx Company; International Harvester Company; E. I. Du Pont De Nemours & Company; American Telephone and Telegraph Company; Bethlehem Steel Corporation; Armco Steel Corporation; United States Steel Company; Elgin Watch Company.

8See Appendix A for a copy of the letter requesting this information.

Of the twenty firms contacted, nine responded favorably. The other eleven firms either did not have the information requested or were unwilling to release it from their files. Those who gave a favorable response sent copies of their plans along with, in most cases, other material from company files which dealt with employee representation.

While no claim is made that either the initial number of firms contacted or the number of firms that responded is statistically significant, it is believed that valid conclusions can be drawn from the data received concerning the formal design of representation systems of these years. Most of the firms which responded were and are leaders in their industries. In the case of the Standard Oil Companies, Mackenzie King who installed their plans had also constructed similar representation systems in a number of other firms. King's influence was also felt in firms with which he had no direct contact. In addition, a survey of secondary sources published during the existence of these plans tends to confirm the conclusions which will be drawn from the primary data.

The case study method was employed to analyze Standard Oil of New Jersey's experience with employee representation. To test the validity of the conclusions which

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10 The firms which responded favorably included: Standard Oil of New Jersey; Standard Oil of Indiana; Armco Steel; Dennison Manufacturing Company; International Harvester; American Telephone and Telegraph; Bethlehem Steel; Westinghouse Electric Corporation; Goodyear Tire and Rubber Company.
were drawn, a survey of eight other prominent firms which had used representation systems was also undertaken. Two potential areas of similarity between the Standard Oil of New Jersey plan and those of the other eight companies were first investigated. The presumption was made that if these points were similar, valid comparisons could be made between the findings concerning these eight plans and the plan of Standard Oil of New Jersey. These two areas of comparison were the employers' motivations for beginning their plans and the design and stated purposes of the plans.

The survey did not explore any other company in the same depth as Standard Oil of New Jersey. This firm provided the largest volume of primary data of any company investigated. A total of eight personal interviews was granted by retired employees of the company. A significant amount of data from the files of the firm's headquarters in New York City was obtained. In addition the company's Baton Rouge refinery allowed the use of the minutes of its representation meetings.

Personal interviews were conducted in two ways. When possible, in-person interviews were held. Geographical distances, however, limited this approach. Consequently, a number of interviews were conducted by long distance telephone. Copies of the questions were sent to each interviewee in advance of the telephone call in order to allow him time to collect any information he might have and to prepare his answers adequately. In addition to the telephone
interviews, written responses to the questions were asked for from the respondents.

This study can be properly described as impressionistic in nature because it has largely sought to evaluate the contributions of employee representation in terms of the personal impressions of those who worked under the plans. While the second and third chapters rely primarily on secondary sources of information and data from company files, the fourth and fifth chapters place major emphasis on personal interviews and represent the heart of the study.

Although there was undoubtedly some bias among those who were interviewed, it was believed that the number of individuals who participated are likely to have exposed any extreme or highly distorted view held by one person.\textsuperscript{11} Company records, some of which were at one time confidential, have provided an added source of validation.

In most instances the interviewees were retired from the companies being investigated. This factor should add to the objectivity of the information collected. In addition those interviewed were assured that the investigation was being conducted for academic purposes only and that if they wished, their names would not be disclosed. Six persons did ask that their names not be revealed, and these requests were honored.

\textsuperscript{11}A total of twenty-four persons were contacted in the nine companies.
A balance was sought between manager and non-manager interviewees to add further to the objectivity of the investigation. This objective was not fully achieved, however. Those individuals associated with the companies' management numbered eighteen of the twenty-four interviewed. Twelve of these eighteen had, however, served in non-management positions during a portion of their careers.

Scope and Limitations

This study will involve a description and analysis of employee representation plans during the period from 1900 to 1937. It will trace the forces which led to the creation, operation, and demise of the plans in American industry.

Nine plans will be analyzed in depth, both from the standpoint of their formal design and their day-to-day functioning. Contributions to improved employer-employee relations will be explored in detail. The nine companies included in the survey represent the following industries: oil, rubber, steel, paper products, communications, farm implements and heavy machinery, and electrical products.

Limitations of the study include a scarcity of living individuals who had first-hand experience with representation and incomplete company records relating to these plans.

Plan of Presentation

Chapter II deals with the economic, social, and organizational influences upon employee representation in this country. A brief discussion of the formal design and
operation of representation plans will be provided in Chapter III. Chapter IV contains an in-depth study of the employee representation plan of Standard Oil Company of New Jersey. In Chapter V an analysis and comparison of eight other plans is undertaken. Chapter VI presents a summary of the study, the conclusions which are drawn from it, and implications for current-day personnel relationships.
CHAPTER II

ECONOMIC, SOCIAL AND ORGANIZATIONAL INFLUENCES
UPON EMPLOYEE REPRESENTATION PLANS:
AN OVERVIEW

This chapter seeks to analyze the reasons for employee representation's rise and fall in the United States. In order to do so, it is necessary to look at both extra-organizational and intraorganizational factors leading to the development of employee representation. This analysis does not attempt a thorough description and evaluation of management and labor history; it does seek, however, to discuss and interpret those factors believed to have been conducive to the development of employee representation.

The following analysis will be divided into four time periods: the pre-World War I period from approximately 1865; the war years of 1914 to 1918; the 1920's; and the last decade of employee representation, the 1930's. The rationale for this division is that there were significant forces affecting the formation of employee representation during each of these periods. Although some of these forces were overlapping in two or more of the time periods, the analysis will attempt to show that each time interval had
peculiarities of its own in its influence upon representa-
tion systems.

The Period Prior to World War I

A study of American history reveals a spectacular
growth of business enterprises from the Civil War to the
beginning of the twentieth century. "Between 1860 and 1900,
the United States jumped from fourth to first place among
manufacturing nations of the world."¹

The United States was essentially an agrarian econ­
omy in 1865, and its facilities for production were designed
primarily to service the needs of farmers and their families.
These firms were for the most part small, selling their
finished goods in local markets. Some sales took place in
more distant markets and were usually handled through
commissioned agents.²

By 1900, however, the growth of business not only in
terms of output produced but also in terms of size of the
business firm itself was great.

Most of the major industries had become dominated by
a few large enterprises. . . . In other words, the
business economy had become industrial. . . . In the
terms of the economist and sociologist, a significant
sector of American industry had become bureaucratic, in
the sense that business decisions were made within large
hierarchical structures.³

¹Frank Freidel, America in the Twentieth Century

²Alfred D. Chandler, Jr., "The Beginnings of 'Big
Business' in American Industry," Business History Review,
XXXIII (Spring, 1959), 2.

³Ibid., p. 3.
Markets for many firms were no longer local since many of the largest ones had built large national marketing organizations. Moreover, the manufacture and processing of producers' goods had grown significantly during the period from 1865 to 1900.4

Regardless of the forces leading to the expansion and power of the business organization, the large corporation was an important force, both socially and economically in the United States by 1900. Its employees, perhaps even more than its customers and suppliers, were significantly affected by its power over their lives.

Coincident with the growth of the industrial expansion in this country was the flood of immigrants coming primarily from the European nations. These individuals, most of whom were without funds and many of whom could not speak English, were anxious to obtain employment.

The growing manufacturing firms readily found places for them, although the attitudes and practices of many employers reflected their lack of interest in the workers as individuals. This attitude was common among employers who saw the workers primarily in terms of factors of production, or more bluntly put, as interchangeable, general purpose machine tools. Most of these individuals were peasants or agricultural laborers and possessed no special skills. Jobs were best designed in terms of simple, repetitive tasks

4Ibid., p. 4.
which could be learned quickly, leading to a minimum training time and a quick replacement of those who could not meet the employer's standards. Because there were many of these unskilled laborers looking for work, replacements for discharged workers were easy to find.

Certainly not all laborers and unskilled workmen in industry were foreign born. During this period of immigration from other countries, there was a concurrent movement of individuals from farms to the cities; many of these formerly rural workers became laborers in industry.

Evidence does suggest, however, that native-born industrial workers were upwardly mobile to a much greater extent than were the immigrants. In the early 1900's Leitch, for example, found that only ten percent of the employees working in the stockyards of Chicago were American citizens while at the same time twenty-six different nationalities were working in one Arizona mining camp and thirty-two in another.\(^5\) Another study of the distribution of native and foreign-born workers stated in 1920 that "Though the Americans are in the majority in the professions and the skilled and industrial trades, they are in the minority in all the rest."\(^6\)

The tools of Scientific Management, developed during this period, were well suited to the design of fragmented,

\(^5\)Ibid., p. 84.

repetitive tasks. Although it is clear that F. W. Taylor did not intend his system to be used to make wooden men out of the workers, his concepts of task specialization and separation of planning from doing nevertheless were aids to the employer in designing jobs that the unskilled could perform with practically no training. "This incentive [for designing simplified jobs] was all the greater because training immigrants was extremely difficult when many supervisors could not speak the language of their men."  

An early student of United States labor-management relations observed in 1914 that:

The minute subdivision of industrial production, and the adaptation of the industrial machine, more than any other single characteristic, defines American production. . . . This subdivision of processes demands not only a minimum of technical knowledge, but also a passive, stolid labor-class temperament.  

The language problem between management and labor was intensified after 1900 when a large majority of the immigrants were composed of southern Europeans with customs, beliefs, and institutions quite different from those prevailing in America at that time. Approximately one million of these immigrants came to the United States yearly in the decade

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7 See Frederick W. Taylor, Scientific Management (Hanover, N.H.: Dartmouth College, 1912), pp. 22-55.


after 1900. Although the business leaders of the time did not directly encourage high levels of immigration, they apparently were favorable to its continuance.

Wage rates for the unskilled workers were quite low. The absence of a large number of skilled workmen and the abundance of available unskilled labor contributed to the low wage levels. Workmen were experiencing a decline in bargaining equality with their employer as compared to pre-Civil War days. As the economic power of the employer grew, the individual bargaining power of the unskilled employee declined.

Although wages were low for the majority of the workers from the Civil War until World War I, real wages from 1870 until 1896 did apparently rise slightly. However, from 1889 to 1914 real wages fell ten percent while per capita production was increasing more than thirty percent. "It is thus evident that wage-earners not only did not receive the same share per capita of the increased product year after year but actually were receiving at the end of the period slightly less goods than at the beginning."\[^{11}\]

In 1915 President Wilson's Commission on Industrial Relations reported that "the very least that a family of five persons can live upon in anything approaching decency


is $700 [per year]." It further reported that of the immigrant families surveyed in an Immigration Commission study, "the figures show conclusively that between one-half and two-thirds of these families were living below the standards of decent subsistence, while about one-third were living in a state which can be described only as abject poverty." Certainly, not all American workers, whether immigrant or native born, lived in this fashion. And by comparison, the American worker enjoyed a much higher standard of living than his European counterpart. Hugo Munsterberg, a professor at Harvard and a native of Germany, observed in 1904 that the typical American laborer was better off in terms of wages, clothing, housing, and entertainment when compared to his European counterpart. These differences, of course, were the primary reasons for the influx of European immigrants, many of whom hoped to work in industry only long enough to save enough money to buy a farm for themselves and their families.

The general social and economic conditions from the Civil War to 1914 can be summarized as a period during which large scale business developed and grew and a time in which the work of many was standardized and fragmented into

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13 Ibid., p. 353.

relatively simple, repetitive tasks. An abundance of unskilled immigrant labor was available, willing to work for low wages because of the lack of an acceptable alternative. Language and cultural barriers separated many of these men from their employers and those in management.

A gulf came to exist between management and labor. Not only was the personal intimacy of the small shop lost in the large enterprise but also barriers between men of different cultures and interests came about.

**Labor policy.** What was the result of these changes in terms of the labor policy of employers and their managerial representatives? Slichter put it perhaps most succinctly when he said it was chiefly "the practice of driving workers rather than of developing their cooperation and good will." Driving was defined as close supervision in a pressured atmosphere with force and the threat of discharge as the primary motivational tools of the supervisor.

The simplicity of this labor policy resulted in no need for a specialized personnel department. The foreman was usually free to hire or fire as he saw fit and exerted thus great power over the lives of the workers. It was not at all uncommon for the foreman to require gifts from his subordinates if they were to keep their jobs.

Some employers and managers used the technique of divide and conquer as a means of implementing their policy

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15 Slichter, *loc. cit.*
of driving. Men of different nationalities and languages, some traditionally antagonistic to one another, were deliberately mixed in work gangs so that there would be lowered resistance to the pressure techniques of the foreman or supervisor.

This picture of management's attitude toward workers is not intended to be either a complete or a precisely accurate one. Instead it is a composite of many of the abuses which, while not universal, were plentiful enough to be representative of a large part of industrial practices. Not all employers behaved in the manner described. A discussion of their reasons for not doing so and the interest of some of them in employee representation will follow in a later segment of this chapter.

It must be stressed that pre-Civil War working conditions are not viewed in this presentation as ideal models which were later forsaken. Instead the dramatic growth of business, the heavy influx of foreign farm and unskilled workers, and the emphasis upon quickly learned, greatly segmented, repetitive tasks widened the gulf between manager and worker.

Although the unskilled or common laborer was at a definite economic and social disadvantage in comparison to the employer, he did not always accept these conditions gracefully and without question.

Labor unrest from 1865 to 1914 was not uncommon. The Homestead Steel Strike of 1892, the Pullman Strike of
1894, and the recurrent strikes of coalminers are indicative of the labor unrest of the times. Even though there was a labor surplus in most of these years and both legislation and the courts for the most part supported the employer in his actions against strikers, employee resistance did occur. Union membership was also growing during most of the period; by 1914 union membership in the United States reached almost 2.5 million workers.\(^{16}\)

By 1900 some employers were disturbed sufficiently by union activity to actively organize themselves in employers' associations. The primary purpose of such organizations at that time was to prevent the spread of unionism and with it strikes and boycotts. Among the groups taking part in such activities were the Dayton Employers' Association, the Citizen's Industrial Association, and the National Association of Manufacturers.\(^{17}\)

Although unionism and strikes were becoming important signs of labor resistance during this period, far more difficult to deal with directly were the practices of workers, organized and unorganized, of soldiering or restricting output. The writings of the time indicate that work restriction


was widespread. One observer, looking at the industrial scene of the early twentieth century commented:

The antagonism between [workers'] ideals and the policies of their employers has become more conscious. Workers refuse to exert themselves greatly, they repeat the phrases "take your time," "go easy," "no hurry;" they take vacations from their jobs when they feel like it, they are less and less docile and dependable.\(^{18}\)

**Early representation plans.** Against the background of a surplus of workers, low wage rates, and the driving philosophy of many employers, it seems somewhat strange that something as radical as employee representation would find a sympathetic ear in businesses of this country. And, indeed, the plans which arose were small in number; there were ten publicized plans operating in 1914.^{19} Their importance lies, however, in their reasons for formation and their influence upon the design and operation of later plans.

The earliest working plan of employee representation in this country was founded by the William Filene Company, a Boston department store. Started in 1898, the Filene Cooperative Association began as an insurance committee, later expanding into such areas as disciplinary authority over employees, determination of store rules, and setting of penalties for their infraction.\(^{20}\)

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\(^{19}\)Earl J. Miller, "Workmen's Representation in Industrial Government," *University of Illinois Studies in the Social Sciences*, X (September-December, 1922), 38-42.

\(^{20}\)Ibid., p. 38.
Among the other firms who introduced employee representation prior to this country's entry into World War I were the Nernst Lamp Company of Pittsburgh, the Packard Piano Company, Hart Schaffner and Marx, and the Colorado Fuel and Iron Company.

In these and the other firms which experimented with employee representation, initiation came in every case from the employer. Despite the fact that the balance of social and economic power was on the side of the firm, strikes and slowdowns cost the employer money, both in quantity and quality of production.

These two factors, the desire for productive efficiency and the fear of strikes and unionization, appear to be the dominant motives for the introduction of employee representation prior to World War I. Although representation plans were far from being dominant in industry at this time, they filled nevertheless a need in some firms. The few employers who instituted such systems claimed a remarkable success for their plans, although it is clear that their approach to industrial problems was considered at the least somewhat eccentric by other businessmen. As Cochran has stated:

Business . . . had been built around the tradition of leadership, the ideal of the vigorous, strong-willed, decisive entrepreneur. Strict obedience to authority from above and a free hand for the man at the helm was as much the rule of business as of the army or navy. Nor was it easy to see how industrial democracy would function even if it could be instituted. . . . Labor trouble, therefore, represented merely one aspect of the
broader conflict between social-democratic theory and the ideal of free business enterprise. 21

Although skepticism of such an approach to industrial problems was in these pre-war years the majority view, proponents of the plans gained a significant amount of publicity. Writers of the time, primarily economists, sociologists and political theorists, were concerned about industrial strife and the plight of the many low-income working class citizens. Although not always favorably disposed to employee representation as it was then designed, most of the writers argued for some means of improving management-worker relationships. 22 The means of obtaining such goodwill was, in the minds of a few, through the use of employee representation.

Although there was no single individual who alone guided the formation of representation councils, three names stand out as strong influences in the formation of the early plans. These men were John Leitch, W. L. Mackenzie King, and John D. Rockefeller, Jr. Of the three, John Leitch wrote most extensively on the subject.

Working as a laborer, a manager, and later as a management consultant, Leitch developed a philosophy of labor-management relations which he applied in a number of firms before World War I. He published two books on the subject of representation, Industrial Democracy in 1912 and


Man-to-Man in 1919. In his second book he included the formal framework for an employee representation system which was found in his first work. His emphasis in Man-to-Man was upon case histories of firms with which he had worked as a labor relations consultant. In each instance he explained the prior labor problems of the firm and the later introduction and success of his plan of industrial democracy. Leitch's book was notable in that it was not only an explanation of how employee representation could function in varying circumstances, but it was also an interesting description of many of the current labor troubles. In a factory which made smoking pipes, he described in the following manner the attitudes of the unskilled immigrant workers who made up the labor force:

They were unruly; few cared if the work was good or bad. They were content to "get by" except for a sprinkling of older men who had been employed for years and were past the age when they could venture to seek outside employment. . . . The problem was to get this polyglot crowd interested in their work, to make them one with the company, to introduce a spirit of cooperation which would reflect higher pay for the men and a better product for the company. It was a serious problem.23

In all of the companies in which he worked Leitch introduced four cornerstones in the building of a new labor policy. They were justice, cooperation, economy, and energy. The capstone of service was then added to these four. He defined these concepts in the following manner:

We recognize that justice to ourselves necessitates taking advantage of every opportunity to do the best that is in us, and each day improve that growing ability. Differences of opinion shall be freely and fearlessly expressed, but we shall at all times stand ready to cooperate with and heartily support the final judgement in all matters.

Recognizing that economy is time, material, and energy well spent, we determine to make the best use of them, and so shall time, material, and energy become our servants while we become the masters of our destiny.

As energy is the power back of action, and action is necessary to produce results, we determine to energize our minds and hands, concentrating our powers upon the most important work before us.

We believe that the only sure and sound construction of success as an individual or an institution depends upon the quality and quantity of service rendered.

These concepts were introduced one at a time to the workers over a period of weeks. Each was voted on as a resolution to be accepted or rejected.

Leitch attempted to see that each concept was put into practice by the workers before he introduced another. Once accepted, the five resolutions were regarded as the firm's business policy. Leitch insisted that typewritten copies of the resolutions be distributed to every worker and that each man should carry his copy with him at all times.

With the firm's new business and labor policy accepted by the workers, the formal plan of employee representation was then constructed. The representation plans were modeled after the U.S. government with a house consisting of workers' representatives, a senate composed of management representatives, and a cabinet of top management.

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officials.25 The systems were entitled plans of industrial democracy or by some of Leitch's contemporaries, Leitch plans.

Leitch's experience led him to believe that industrial democracy was equally applicable in companies employing skilled craftsmen and in firms such as the pipe manufacturer which relied primarily on unskilled labor.

Perhaps the greatest appeal of his system was Leitch himself. In each case which he described, the force of his own zeal seems to have had a decisive effect in breaking down the feelings of hostility between management and labor. He was described by one contemporary writer as an industrial evangelist who "always strives to convert the management and men before he installs his plan of industrial democracy."26 Speaking to the men of the Packard Piano Company in 1913, Leitch showed the apparent desire he had to resolve their problems:

"The trouble is," I said, "You are working at cross purposes... It is not anybody's fault—it is everybody's fault. You are to blame and the company is to blame, or, if you would like better to put it another way, you are not to blame and the company is not to blame... I think I know what the trouble is and I am here to help you and the company to help themselves. I shall not ask you to do anything except listen and ask questions. If you think I am on the square we will have more meetings and work this thing out. But if you think I am trying to put one over on you say so. This is

25A full discussion of the design and operation of this and other representation systems will be found in the following chapter.

26Miller, op. cit., p. 42.
your meeting and not mine. By your vote you can take me or leave me.27

Leitch reported that in a period of five weeks he introduced the four cornerstones and the capstone of the new labor policy. The result was the adoption at the end of the five weeks of a plan of industrial democracy and a sharing between the company and the workers on an equal basis of any cost savings achieved in production. The reported effect was an end to work slowdowns, inferior quality, and union agitation. The men were said to have "cheered and gone to work with a will."28

As previously mentioned, Leitch viewed his primary task as one of changing the basic attitudes of both management and worker before attempting the design of a formal representation system. His approach was somewhat akin to the mental revolution which Frederick W. Taylor found so necessary in the introduction of a system of scientific management in an organization.

He cited five basic changes that had occurred in every firm in which he had installed a plan of industrial democracy:

1. An increase in production
2. A decrease in the cost of production
3. A decrease in the turnover of labor

28 Ibid., p. 45.
4. A reputation throughout the community as a desirable place to work in and consequently a greater ease in hiring men

5. An immunity from strikes and other labor troubles.  

Although he acknowledged that such results sounded almost too good to be true, research indicates that he was largely successful in obtaining these goals in the firms with which he worked.  

Sounding very much like Douglas MacGregor, Leitch explained that such results were primarily the result of changed assumptions.

It is simply that we have gotten into the habit of thinking that sloth and inattention are the natural attributes of the man who works for hire. But is is just as natural for a man to exert the best that is in him when working in a shop as when playing on a baseball team. The real trouble is that we have denied him the opportunity and the reward for self expression in the average factory; we have organized with so little attention to the human factor that we have in effect thrown away brain power and taken only body power. We have become so obsessed with the utility of machines that we have tried to make a machine out of a human being.

And Leitch's answer to this dehumanization of the workers was industrial democracy.

By 1915 John D. Rockefeller, Jr. was in general agreement with John Leitch's belief in the need to eliminate strife and improve efficiency in industry. His personal experiences with labor-management conflict had brought home to him the need for some method of relieving such problems.

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29 Ibid., p. 169.
30 Miller, loc. cit.
31 Leitch, op. cit., p. 170.
In the early 1900's Rockefeller and his father had large interests in the Colorado Fuel and Iron Company, a coal-mining and steel-making firm. It was during this time that there was substantial labor unrest in the coal mines with the fledgling United Mine Workers of America attempting to unionize the Colorado coal fields.

The companies resisted all attempts at unionization. In the forefront of this resistance was the Rockefeller-controlled Colorado Fuel and Iron Company and its president, J. F. Welborn. Although John D. Rockefeller, Jr. actually took little part in the firm's policy decisions regarding labor, he had gone on record in support of any action taken by the company's management in Colorado. In the fall of 1913 a strike was called by the United Mine Workers against the operators of the coal fields in southern Colorado, one of which was the Rockefeller-controlled firm. Tension and animosity was so high on both sides that the governor of the state requested Welborn to meet with a committee of aggrieved employees. Although Welborn met with the committee, he refused to make any compromises since he believed that this might be interpreted as de facto recognition of the union.

Violence flared on both sides, resulting in the calling of the National Guard by the governor in late 1913.

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33 Letter from J. F. Welborn to Mr. McClement, December 4, 1913, in Taft, op. cit., p. 260.
The leadership of the guard was reported to be strongly antagonistic toward the strikers\textsuperscript{34} with the result that when a boy was believed held in the striking workers' tent colony, the guardsmen attacked and burned the tent camp on April 10, 1914. Three miners were killed, and two women and eleven children were smothered to death in one of the burning tents.\textsuperscript{35}

This tragedy came to be known as the "Ludlow Massacre" and was widely publicized throughout the country. The fighting was at last put to a stop when the governor requested President Woodrow Wilson to send in federal troops.

Although John D. Rockefeller, Jr. took little active part in the policy decisions of the firm, his ownership interests in it and his earlier statements of public support for the management of the firm caused him to receive a significant amount of adverse publicity.\textsuperscript{36} Writing in 1916 he revealed his own feelings about the violence that had occurred:

\begin{quote}
I frankly confess that I felt there was something fundamentally wrong in a condition of affairs which made possible the loss of human lives, engendered hatred and bitterness, and brought suffering and privation upon hundreds of human beings. I determined, therefore, that
\end{quote}


in so far as it lay within my power I would seek some means of avoiding the possibility of similar conflicts arising elsewhere or in the future.37

Rockefeller's desire to overcome the strife and the residual bitterness in the Colorado coal fields led him to contact with the help of an official of the Rockefeller Foundation, W. L. Mackenzie King. King, a former Canadian Minister of Labor, was a respected student of labor relations and author of his country's Industrial Disputes Act. He in later years was to become one of Canada's most distinguished Prime Ministers.

King's first meeting with Rockefeller was in June, 1914, six months before the Colorado strike was given up by the miners. Although a solution to the Colorado problem was apparently the foremost consideration in Rockefeller's mind at this meeting,38 the two reached general agreement that a much broader study of labor management problems, sponsored by the Rockefeller Foundation, would be a worthwhile task.

By July, King and Rockefeller had reached oral agreement that King would undertake a study of industrial relations under the auspices of the Foundation. King was emphatic in his desire to be employed by the Foundation and not by Standard Oil. He feared "that once associated in any way with the Rockefeller concern, my future in [Canadian]"
politics would be jeopardized." In August of that year King was formally appointed by the Foundation to make a study of industrial relations.

Although King's appointment was for the purpose of studying industrial relations in general, he saw his first task as that of helping to solve the existing problems in Colorado. He resolved to study the situation in detail. This did, of course, require a trip to the site of the trouble.

In March, 1915, he arrived in Colorado and began talks with the company's management. Investigating conditions of work in the mines, he talked with the miners and their families. After much investigation and discussion he saw some progress in converting the management's previous hard-line view toward management-worker relations. He saw the need for many reforms in working conditions. He was further convinced that the company must initiate an "industrial constitution, some form of representative government in which the company's twelve thousand employees would have a recognized standing when it came to decisions affecting working--and living--conditions." The plan of industrial representation was apparently taking form in his mind.

By September of that year the representation plan was complete, and King returned to Colorado, this time

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39 Ibid., p. 103.

40 McGregor, op. cit., p. 160.
accompanied by Rockefeller. The plan soon came to be known as the Rockefeller Plan, but its author was Mackenzie King.

Although Rockefeller's trip to Colorado was for the purpose of his explaining the new representation system to both management and workers, he fully realized his lack of knowledge of industrial relations and his dependence upon King. In later years he said:

I was merely King's mouthpiece. I needed education. No other man did so much for me. He had vast experience in industrial relations and I had none. He had an intuitive sense of the right thing to do—whether it was a man who ought to be talked with or a situation that ought to be met.41

This was King's first attempt at designing an employee representation plan, but evidence exists that it was well received by both sides. At a joint meeting of management and labor representatives Rockefeller, with King by his side, explained the workings of the plan. He in addition suggested a number of needed reforms in working conditions. The joint conference supported the plan. The workers were then allowed to vote for either acceptance or rejection, with the result that of the seventy-three percent of the workers who voted, eighty-four percent cast their ballots for acceptance.42

In addition to the formal creation of the plan, a position of Executive Assistant to the President was created


42McGregor, op. cit., p. 184.
to deal with problems and issues of industrial relations in the company. This position which was a forerunner of the company's personnel department was initially held by Clarence J. Hicks. His primary duties lay in the administration of the new representation system. He, in fact, succeeded so well that he was later called on to design plans for many of the Standard Oil Companies in which the Rockefeller family had stock interests.

Few had illusions as to Rockefeller's primary motivation for the formation of the industrial representation system in the company. The battle between the firm and the United Mine Workers had been a bitter one, and the plan was an obvious attempt to satisfy the workers' desire for organization. It further acted as an upward channel of communication through which workers, through their elected representatives, could air their grievances with management. Coupled with the company's action in improving working conditions for the miners, it was well received. This plan continued to function for twenty years.

The leaders of organized labor were not, however, enthusiastic about the plan. Samuel Gompers, then President of the American Federation of Labor, was adamantly against such organizations. Gompers' position was essentially that no employee representatives were truly free to bargain with management unless their employee organization was completely

independent of the employer. This issue was to become the chief argument for the outlawing of all such plans under the Wagner Act twenty years later.

Mackenzie King's success with the development of this early plan led to requests for similar help by a number of other large firms. During the period from 1915 through 1918 he acted as consultant in labor relations to such firms as General Electric, Bethlehem Steel, and the International Harvester Company. In each of these companies an employee representation plan was put into effect as the result of his consultation.

His influence during this period was not limited, however, to the firms with which he had direct contact. The representation systems he designed, particularly the Colorado Plan, were used as models by other firms with which he had no relationship.

Most of the companies directly and indirectly influenced by King's plans of employee representation sought to use them as a means to avoid unionism. The success of the Colorado Plan was an encouragement to managements who sought such means to keep unionism from engulfing their firms.

Mackenzie King did not, however, view employee representation as a means of subverting unionism. He saw

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44Samuel Gompers, "Rockefeller Organizes and Recognizes a 'Union'," American Federationist, XXII (November, 1915), 976-977.
the Colorado Plan as one step toward better worker-management relations and pictured union recognition as a possible later step by the company if conditions warranted. He insisted, in fact, that no discrimination be made against union members who were or wished to be employees of the Colorado Fuel and Iron Company. His influence was so great upon Rockefeller that union organizers were allowed to actively seek members among the company's employees upon the company's property. Such a practice was never allowed before the representation plan was put into effect.

Although King returned to Canada in 1919 to re-enter politics, his mark upon industrial relations in this country was profound. He did much to contribute toward better management-worker relations, showing that by allowing the worker even a limited voice in the affairs of his work, a positive benefit could result to both sides. His influence upon John D. Rockefeller, Jr.'s view of the proper relation between labor and capital was also great, especially in the decade to follow. Rockefeller's philosophy, strongly influenced by King, was to play a major role in the labor policies of Standard Oil of New Jersey for many years to come.

Summary of the pre-war period. The latter part of the nineteenth century and the early part of the twentieth witnessed a dramatic change in the size of many business firms and the relation of employees to these firms. Growth and
increased mechanization brought an increase in job segmenta-
tion and repetitive tasks. The heavy influx of unskilled
or semi-skilled immigrant workers was an added stimulus to
the development of easily learned tasks, thus increasing
the interchangeability of workers at minimum training cost.
The techniques of scientific management, developed in the
late 1800's, helped employers to design tasks in this seg-
mented manner.

Throughout this period most owners and managers held
to the notion that the employers' authority was absolute,
and the workers should either follow orders or take their
labor elsewhere. Indeed, this was the basic tenet of nine-
teenth century private enterprise. But while the beliefs
of employers remained for the most part unchanged, the
organizational and economic relationship between capital and
labor was changing dramatically.

As was indicated previously, the firm tended to grow
much larger. No longer was there a chance for the personal
relationships that might have occurred between the owner
and his employees in a small shop. Cultural barriers and
differences in language created a further gap between manage-
ment and the many immigrant employees of large firms.

Economically, the worker was in a position of in-
creasing dependence upon the firm. With little or no skill,
the individual workman had no real bargaining power. And
with an abundance of available workmen, the employer could
pay low wages and be sure of having enough men to fill any vacant positions.

Supervisory style was commonly the driving type with foremen not known for their skill in human relations. Employees often retaliated with slowdowns or soldiering, attempts at unionization, and strikes. The period might be aptly described as one of labor unrest resulting in the growing power of unionism.

The fear of unionism and the wish to avoid strikes led a few employers to experiment with techniques of employee representation. A second motive was the desire to improve efficiency and output and eliminate or reduce the soldiering found in many firms.

Although not commonly found in industry before World War I, employee representation gained a significant amount of publicity. Perhaps because it was appealing to the American public's basic belief in democracy and fair play, it was apparently well received, at least in its theoretical aspects. Businessmen, however, were for the most part skeptical.

Of those who contributed most to employee representation in this era the names of John Leitch, W. L. Mackenzie King, and John D. Rockefeller, Jr. stand out. While Leitch and King were designers of plans, Rockefeller's influence lay primarily in placing his name and position in support of representation systems. He wrote and spoke out for giving the worker a greater voice in the work place. For a
man of capital to make such statements in the early 1900's was considered by many to be truly amazing, if not dangerously radical.\textsuperscript{45}

Nevertheless, Rockefeller's beliefs, strongly influenced by his association with Mackenzie King, did affect the growth of employee representation in this country, both within the firms controlled by the Rockefellers and those outside its sway.

Although many of Rockefeller's contemporaries in big business did not accept the principle of representation for employees, Rockefeller along with Leitch, King, and others who were less well known, had forged a path for the concept of greater democracy in industry and more humane treatment of workers. The period to 1917 might properly be called employee representation's period of infancy. It would require America's entry into the War to give it its next stimulus for growth.

\textbf{Influences Upon Employee Representation from 1917-1919}

Shortly after World War I began in 1914, immigration to the United States was sharply curtailed. And even though this nation remained officially neutral until 1917, industry received a tremendous boost as a result of war orders from Allied nations.

\textsuperscript{45}Judge Elbert Gary, President of U.S. Steel, remained unconvinced as to the wisdom of employee representation even though Rockefeller had personally tried to make him see otherwise.
These two factors, increased demand for production and a decrease in the supply of labor from Europe, reduced the buyer's market for labor which employers in this country had enjoyed for some time. This situation was intensified with the entry of the United States into the war in 1917. Mobilization led to increased production demands upon industry while thousands of young men were being pulled out of the labor force for military service. Moreover, the avoidance of strikes and slowdowns in industries vital to the war effort became a national goal. The unrest and discontent of labor was not ameliorated, however, and actually grew. By the spring of 1918 the number of strikes in United States industry had risen alarmingly.

As a means of settling the conflicts in industries vital to war production, President Wilson created the National War Labor Board. The Board and its representatives were to act as impartial arbitrators in industrial disputes. Throughout its existence the Board recommended the establishment of collective bargaining between labor and management. "Collective bargaining was involved in 226 cases on which it ruled, and the board directed that collective bargaining be followed either with regularly established unions or with shop committees that had heretofore not existed." ⁴⁶

In essence, the Board gave a company the choice between recognizing a union or establishing a plan of employee

⁴⁶Taft, op. cit., p. 318.
representation. As a result many firms who were formerly not interested in representation systems suddenly saw them as the lesser of two evils—the other being the firm's recognition of a trade union. As a consequence of the Board's work, about 125 representation plans were formed during the summer of 1918 and the early part of 1919.  

Details of the plans were generally left to be worked out by the employer and his employees. In fact some of the plans constructed and installed by Mackenzie King in 1918 and 1919 were at the request of employers who had been ordered to form such an arrangement. The plans he designed for the Bethlehem Steel Company and for the General Electric Company were of this nature.

Even though the Board allowed each company to work out details of its own representation system it nevertheless supervised the installation and administration. It also established certain guidelines for the construction of a plan. Secret elections among the employees were required by the board with one representative chosen for each one hundred employees.  

Not all of the plans installed during the war were at the request of the federal government, however. In 1918 and 1919 the Standard Oil companies adopted industrial  

\footnote{Henry Bruere and Grace Pugh, Profitable Personnel Practice (New York: Harper, 1929), p. 95.}

\footnote{Carroll E. French, The Shop Committee in the United States (Baltimore: Johns Hopkins, 1923), p. 27.}
representation plans similar to that of the Colorado system. At Mackenzie King's urging, John D. Rockefeller, Jr. actively encouraged the formation of these plans. Happy with the success of the Colorado experience and influenced by King's thinking, Rockefeller seemed to feel that some sort of formal system should be designed to allow the employees to air their grievances and to make requests to management.\textsuperscript{49} Both King and Clarence J. Hicks, an administrator of the Colorado Plan, were active in designing these representation systems.\textsuperscript{50}

Of those representation systems designed and put into effect at the insistence of the National War Labor Board, many were discontinued after the war. A number of works councils were established in plants which shut down after the signing of the armistice. When the plants were reopened to pursue private business and were free of National War Labor Board supervision, employee representation was often abolished.\textsuperscript{51} However, most of the larger and better known firms which had established councils before or during the war maintained them after the fighting ceased. All of

\textsuperscript{49}Interview with William Reymond, retired Employee Relations Manager of the Baton Rouge Refinery, Standard of New Jersey, July 14, 1969.

\textsuperscript{50}Ibid. Hicks visited the Baton Rouge refinery, then a part of Standard Oil of Louisiana in 1919, to help with the installation of such a plan.

\textsuperscript{51}Chamber of Commerce of the United States, Employee Representation or Works Councils (Washington, D.C.: Chamber of Commerce of the United States, 1927), p. 5.
those companies mentioned previously in this presentation continued their plans.

Even though some of the wartime plans were abandoned, the concept of employee representation in American industry seemed to have gained not only in numbers, but also in prestige. In addition to the direct effect of introducing workers' councils in firms that had not previously had them, the National War Labor Board's activities resulted in a significant amount of publicity for the concept of representation. The federal government had for the first time given official sanction to this method of promoting labor-management harmony and had added its prestige to the legitimacy of the plans.

Employee representation was slowly becoming established as a feature of some segments of American industry, although the decade of the 1920's would be a period of much greater growth and strength.

The Decade of the 1920's: a Dramatic Expansion of Employee Representation

The end of the war signaled an economic downturn for industry in this country. As business activity declined and those in military service returned to the civilian labor force, the labor market situation again became favorable to the employer. Although prosperity characterized most of this period, unemployment was fairly high throughout. From
1919 to 1926 the average percentage of unemployed was 9.7, and the average in the good years of 1923 to 1925 was 7.3. With government controls lifted and an excess supply of workers, one might have predicted the abolishment of employee representation and other more humanitarian aspects of labor-management relations. And as previously indicated, some representation plans were, in fact, done away with after the war. On the whole, however, the impetus for growth which occurred during the war was maintained afterward.

Reasons for growth. What reasons might explain the continued expansion of employee representation in the early 1920's? One factor that cannot be ignored was the employers' continued fear of unionism. Throughout the war period the numerical strength of labor unions grew. In 1920, union membership stood at five million, or about twelve percent of that year's total labor force. Moreover, a wave of strikes swept the country in 1919. Some employers—fearful of having their own firm organized or in some cases desirous of eliminating an existing union in their companies—turned to employee representation as a solution. Writing in 1920, a former official of the National War Labor Board stated that "A large group of employers are attempting to evade

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union recognition by the formation of shop committees and the application of various local schemes of employee representation. In the same year Tead and Metcalf expressed the feelings of many employers:

... if I give my workers a voice in controlling conditions in the shop, there will be no place for outside organization. The idea is to anticipate the union organizer, to create an intraplant collective bargain, to deal only with my own men.

Some employers, therefore, saw employee representation as a way of avoiding dealing with a labor union.

Whether they believed what they said or not, employers' associations, individual employers, and a significant number of the general population equated labor unions with the Bolshevism of Soviet Russia. The nation was shaken by the Russian revolution and feared that some labor unions of this country might be hoping for a similar experience here. The country has been described in 1919 as in the grip of a real panic.

Although the American Federation of Labor was decidedly oriented toward business unionism and was the strongest labor confederation in the country in 1920, there were enough headlines made by more radical unionists, both

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inside and outside the federation, to frighten many into equating trade unionism with revolution.\textsuperscript{57}

The problems of the time led one writer to compose the following poem critical of union activities in the coal mines:

SONNETS OF THE STRIKE\textsuperscript{58}

by Charles Nicholls Webb

I

The Manager is Interviewed

Conditions in our mines are excellent; Considering, of course, the industry Is hazardous, at best, I think that we Lost fewer men by fatal accident Last season than one half of one per cent Of those employed; and I will willingly Go with you throughout any property; Talk sanitation with you, wages, rent— The clear, dry voice, the steady, steel-gray eyes, Icy alike, alike unwavering, In sudden change took me by swift surprise; The eyes flashed and the voice took on a ring; 'This Union fights us with the basest lies; And so, by Heaven, we will crush the thing!'

II

An Employee Takes Action

'Slave of efficiency!' In deep disdain The agitator sneered and walked away. 'You do not know your God has feet of clay!' Haranguing loud and shrill like one insane, He urged the men to strike with might and main. 'Suffer the masters not another day; Breaking the clouds of serfdom, one small ray Predicts a sudden ending to their reign.'

\textsuperscript{57}Freidel, \textit{op. cit.}, p. 223.

Patient and still unmoving as a stone,
I listened to him lie and rant and brag
And tell of hardships he had never known;
But when I saw him flaunt a crimson rag
I struck him down--The alien, left alone,
Regretted that he'd cursed my country's flag.

It thus does not seem surprising that some employers made
employee representation a part of their own shop's American
Plan drive of the 1920's. It did in a number of cases serve
as a way of avoiding unionism.

A second motivation for the post-war continuance of
representation systems was the wartime success of many of
them in overcoming slowdowns and low quality output. Under
emergency conditions calling for high levels of productivity,
employees in many firms responded more fully after the in-
troduction of a representation plan. Of course some of
the willingness of employees to produce during the war was
no doubt due to appeals to patriotism; the extent to which
this was a factor in increasing production cannot be
isolated. The fact remains, however, that during the war
the introduction of works councils in a number of firms
resulted in decreased strife and increased productivity.
Thus a number of employers sought to maintain this better
relationship after the war.

Employee representation may be seen, therefore, as
one of the factors which influenced employers to modify the
traditional driving form of worker motivation. The wartime

59 Ernest Richmond Burton, Employee Representation
(Baltimore: Wilkins and Wilkins, 1926), p. 231.
experience had shown that employee participation in affairs which concern them could result in greater interest and productivity and a greater understanding of the actions taken by management.60

A third important factor, closely related to the previous two, which influenced continued growth to the plans was the significant amount of publicity given works councils after the war. Books and articles on the subject in the early 1920's were numerous.61 Companies successfully using the plans seemed to be more than happy to tell the world of their experiences with them.

A final and perhaps more illusive impetus to the continued growth of representation was the public's increasing concern for democracy in industry after World War I. The war had been fought to make the world safe for democracy, and it began to occur to many that democracy should exist not only in government bodies but also in some measure in industry. The comments of Sam A. Lewisohn, an industrial executive and Chairman of the Board of the American Management Association during the 1920's, reflect this sentiment:

One of the phenomena that is presented in industrial situations is an irritating sanctimoniousness and assumption of self-righteousness on the part of those in power..... the result of this notion was that the worker felt..... that his dignity and self respect were not accorded the consideration that they had been

60 This topic will be discussed in Chapters IV and V.

61 The appended bibliography is believed to be a comprehensive listing of this literature.
given in our political system. . . . Employee representation may be compared to limited representative government.62

Lewisohn went on to comment that industrial government in the form of employee representation could not be expected to reach the democracy of the political world without sacrificing efficiency in industry. But he, along with others, did see representation as a means of giving the workers a degree of control over their working lives.

Although still covering only a small part of total United States industry, employee representation seemed to have an assured future by the early 1920's. Its growth did indeed continue throughout most of the decade, reaching a high point of over one and a half million workers in 432 companies covered in 1928.63

The plans and unions. Despite the changes in managerial and social philosophy taking place during this period, it does appear that the primary factor influencing employee representation's adoption was the fear of unionization. Representation was often coupled with the paternalistic policies of the firm and with the employer's crusade for the open shop or American Plan.

Most of the plans contained formal statements which recognized the acceptance of both union and non-union


employees. For example, the by-laws of the Bethlehem Steel Company's works council contained the following statement:

    Representation hereunder shall in no way discriminate against any employee because of race, sex, or creed, or abridge or conflict with his or her right to belong or not to belong to any lawful society, fraternity, union or other organization.64

Companies often publicized such clauses as proof of their tolerance of union members. Individual membership in a union was not, of course, a particularly effective weapon in securing concessions from management when the firm was operating as an open shop and did not bargain with the union. The clause may be more properly interpreted as allowing, if not encouraging, employees not to belong to a union.

The employer could effectively argue that not only did his firm not discriminate against union members, but that all of his employees, both union and non-union, had a voice in the affairs of the firm through employee representation. Since in most firms, an individual was automatically a member of the representation plan when he became an employee, he was automatically given a voice in the policies of the company. The open shop was thus encouraged through the administrative design of a representation system.

A second and closely related benefit of shop committees in keeping out unionism was its use as a vehicle for the paternalistic employer policies of the decade. These benefits which employers could afford to grant due to the

general prosperity of the time were often cited as gains achieved through the shop committee. An example of such claims comes from a 1927 publication of Bethlehem Steel. The company reported that conferences of workers and management had resulted in gains for employees in such areas as employment and working conditions, wages, employees' transportation, health and sanitation, pensions and relief, employee housing, and athletics and recreation. 65

It is difficult to determine whether the gains mentioned by this and other companies were the result of employee or employer initiation. Although the company publications often implied that the workers' representatives played a large part in obtaining the benefits which were granted, it must be noted that paternalism and the granting of various worker benefits was not limited to firms using employee representation.

Certainly, the benefits that were obtained through unilateral employer action were not by definition less helpful because they were not obtained through true collective bargaining. Many firms were quite generous with the benefits they bestowed upon their employees. The point is that many of the wage and fringe benefit increases granted to employees during this period were primarily the result of unilateral employer action. The councils were, however, the vehicle

through which the benefits were granted with the firm citing the gains as accomplishments of the plan. Thus another wedge was entered between the employees and trade unions.\textsuperscript{66}

And union membership did decline during most of the decade. Although employee representation could not properly be regarded as the sole cause of this decline,\textsuperscript{67} it most certainly was a way of giving the workers a degree of collective participation in some firms.

Before concluding a discussion of this decade, it should be pointed out that despite the fact that the number of councils grew throughout most of this period and the number of employees covered increased, employee representation never included a majority of the labor force. The year of representation's greatest strength was 1928 in which only about eleven percent of the work force were members of any sort of employee organization whether trade union or employee representation plan.

In summary, the period of the 1920's was characterized by increasing growth of employee representation plans.

\textsuperscript{66}The above discussion is not meant to imply that there were no real contributions by employee representation to worker-management relations. Such contributions will be fully discussed in Chapters IV and V. Included in this discussion will be evidence that employees did in some companies influence the overall benefit package.

\textsuperscript{67}Phelps sites the following factors as influencing the decline of unionism during the 1920's: stable wages, improved personnel administration, drive for the open shop, tired labor leadership, and an unfavorable political climate. Orme W. Phelps, Introduction to Labor Economics (New York: McGraw-Hill, 1967), pp. 151-153.
Motivations for the increasing growth of the plans included employer fear of unionization, a desire for increased morale and productivity, the wide publicity given to existing plans, and a general shift in society's thinking concerning the proper relationship between management and workers.

Employee representation was a convenient means through which many employer-initiated benefits were given to the workers. Since its formal design was of a democratic nature, it served as a further arguing point for employers against the need for unionization of their firms. It, moreover, was often used as a selling point for the open shop campaigns of the decade.

Employee representation in this and the succeeding decade achieved a number of sometimes unexpected benefits for the workers who worked under it and for many in industry who did not.

The 1930's: Governmental Action, Union Growth, and Employee Representation

After 1928, employee representation had begun to decline slightly. The period from 1928 through 1932 saw a membership decrease in representation plans from 1.5 million to 1.2 million covered workers. Two factors accounted for this decline. In the pre-depression period, a number of

68This topic will be discussed in the following chapter.

small firms (one hundred employees or less) discontinued their plans. The small employer's motivations for plan discontinuance are not known, but it may be hypothesized that both his fear of unionization and his need for some method to improve contacts with employees were much less than that of the large employers. Skill in both the design and administration of the plans was no doubt often less prevalent in the smaller organization. As a result, the plans in smaller firms were sometimes less than satisfactory in practice.

The second factor accounting for declining membership in representation plans was the general decline in employment with the onset of the depression. In addition, the great excess of applicants over jobs may have influenced the dropping of some plans.

The coming of the New Deal and the labor legislation of the early 1930's reversed this trend. From a 1932 membership of approximately 1.2 million, employee representation gained in membership by 1935 to 2.5 million workers. During the same period union membership rose from 3.1 to 4.2 million workers.

The impetus for growth of both employee representation and unionism came from Section 7 (a) of the National Industrial Recovery Act of 1933. The language of the Act

was designed to encourage employee organization and collective bargaining between management and workers. Many firms interpreted its wording to mean that an employee representation plan would satisfy the requirements of employee organization and collective bargaining. An example of such an interpretation comes from the 1933 annual report of the United States Steel Corporation.

The Corporation's subsidiaries have whole-heartedly cooperated in carrying out the spirit and intent of the Code and the law in respect to "collective bargaining" by and with employees. At practically all plants employees have organized under "Employees' Representation Plans," choosing their own representatives to deal with the employing company in all matters relating to wages and conditions of employment. These plans have proven eminently satisfactory in promoting harmony in industrial relations and are conducive to the best interests of the employees, the employers, and the general public.

It should be noted that U.S. Steel had never been interested in any form of employee representation prior to the passage of the National Industrial Recovery Act.

71 The language of the act read in part . . . (1) that employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection; (2) that no employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing. . . . National Industrial Recovery Act, sec. 7 (a), 48 Stat. 198 (1933).

While the National Labor Board (in existence from August, 1933 to July, 1934) was established in part to deal with cases of employer interference in employee organization, its power was limited and its rulings on this matter were somewhat imprecise. The Board used two tests to determine the legitimacy of a plan: (1) whether there had been or was interference, restraint, or coercion, and (2) whether there had been opportunity for the workers to accept or reject plans submitted. 73

Thus the National Labor Board never held that every employee representation plan was necessarily dominated by the employer. Its interpretations of Section 7 (a) indicated that the law did not make company unions illegal as such. If the Board found that the employees had a hand in designing the plan, in freely voting upon its provisions, and in the election of its representatives, and that the majority of the employees preferred this form of representation, the Board would certify it as the legitimate agent of the employees.

If there was a contest between a trade union and an employee representation plan, the Board would hold an election to determine which plan the employees preferred. Certification was then granted by the Board to the winning organizations. The Board was limited in its effectiveness,

however. Employers could and often did refuse to attend Labor Board hearings since the Board had no power to subpoena witnesses or records. Its calls for representation elections were often challenged by employers in the courts.\textsuperscript{74} The experience of the first National Labor Relations Board (July, 1934-June, 1935) was much the same. The result was the previously mentioned doubling of membership in employee representation plans between 1932 and 1935. The passage of the National Labor Relations Act of 1935 was to reverse this trend.

The National Labor Relations Act of 1935 (the Wagner Act), like the National Industrial Recovery Act, did not outlaw independent or company unions. It did, through its listing of unfair labor practices,\textsuperscript{75} more clearly define what constituted employer domination of, interference with, or coercion of employees in the formation and administration of employee organizations. The act also gave a newly created National Labor Relations Board broader and more specific powers to investigate and prosecute violators of the Act.

During its early investigative work the Board ruled on a number of representation plans and found them to be in violation of the Act. These rulings involved findings that

\textsuperscript{74}For example, see U.S. v. Weirton Steel Company, 10 F.Supp. 55 US (1935).

the representation plans were company dominated labor organizations. Evidence of this domination was usually cited under one or more of the following headings: 76

1. A majority vote of both management and employee representatives was necessary for a resolution to be passed. Management could thus control the plan through its voting rights.

2. The plan could not be amended without management's consent.

3. There was no actual contract for a specified period between the company and its employees. Only a constitution of a very general nature existed.

4. Employees had no meaningful part in designing the plan.

5. Employee representatives could not impartially represent their constituents since they were paid by the employer and since the plan was financed entirely by the employer.

6. While employees might not have felt coerced under the plan, subtle coercion existed by definition under the National Labor Relations Act. Whenever a plan, as defined by the Act, was financed by the company, coercion also existed.

Because the lawyers for many of the companies involved in such disputes believed that the National Labor Relations Act would have the same fate as the National Industrial Recovery Act and be declared unconstitutional, they advised the companies to ignore the rulings of the Board and allow the courts to settle the matter. In 1937, the Supreme Court upheld the constitutionality of the law. 77

76 For example, see NLRB v. International Harvester, 2 NLRB 310 (1936); NLRB v. Bethlehem Steel, CA DC (1941), 120 F.2d. 641.

77 NLRB v. Jones & Laughlin Steel, 301 U.S. 1 (1936).
A decision by the Supreme Court in 1938 specifically outlawed employee representation plans. The Court ruled that the National Labor Relations Board had the power not only to order an employer to cease the domination of a labor organization, but also to withdraw all recognition of that organization and to post notices informing the employees of such withdrawal.\textsuperscript{78}

Despite the Court's ruling, National Labor Relations Board findings concerning employer-dominated representation plans were contested by a few firms into the early 1940's.\textsuperscript{79} In most cases the National Labor Relations Board's decisions were sustained by the courts, and employee representation declined and vanished from the scene by the time the United States entered World War II.

In summary, the decade of the 1930's witnessed a decline, a sudden burst of growth, and then the demise of employee representation in the United States. The sudden interest of many employers in representation systems was stimulated by the labor legislation of the decade which sought to encourage unionism among American labor. Hoping to satisfy the requirements of the law, many employers designed employee representation plans as substitutes for trade and industrial unionism.

\textsuperscript{78} NLRB v. Pennsylvania Greyhound Lines, 303 U.S. 261 (1938).

\textsuperscript{79} The employee representation plan of Bethlehem Steel Company is a good example of continued, although unsuccessful, resistance to the National Labor Relations Board.
Representation systems were ruled illegal under the provisions of the Wagner Act, however, and existing plans were forced to discontinue their operation. In a few instances, independent unions were formed by employees, but their numerical importance was not great.

Employee representation was thus effectively ended in this country by 1941. Its existence as an institution was put to an end by the Wagner Act and resultant National Labor Relations Board and court rulings. Although subject to many shortcomings, the plans filled a definite need in the evolving labor-management relationships in this country. As further chapters will demonstrate, employee representation is believed to have been a positive stimulus to the development of more employee-centered management, extending even beyond the companies who developed and used the representation systems.
CHAPTER III

A DESCRIPTION AND ANALYSIS OF THE FORMAL DESIGN
OF NINE PLANS OF EMPLOYEE REPRESENTATION

With the adoption of an employee representation plan, most firms composed a formal document to guide the management and employee representatives in their dealings with each other. Often called industrial constitutions, these documents resembled union-management contracts in some ways but differed from them in important aspects. This chapter discusses the formal provisions of the plans of the nine companies surveyed.

Copies of the representation plan were usually distributed to all employees. It appears that the plan descriptions were in some cases also intended for the consumption of other firms and the public in general.

The purposes of this chapter are as follows:

1. To find common characteristics among the plans.

2. To discover the areas in which non-management employees were allowed a voice in management's decisions.

3. To determine how much authority was formally granted to them in the areas in which they were allowed a voice.

While such an analysis will not necessarily reveal how the plans functioned in actual operation, it should
provide a greater understanding of the announced intentions of the managements which undertook employee representation. It should also, like the previous chapter, give the reader a better historical perspective with which to evaluate the true contributions of the plans. These contributions will be discussed in later chapters.

The analysis will be undertaken by discussing in turn the significant characteristics of the plan's formal design followed by conclusions regarding the amount of formal authority given to the employees through employee representation.

Initiation and Adoption of the Plans

In every firm included in the survey the decision to institute a plan of employee representation was made by the employer.

In four of the nine firms surveyed, the employees were given the opportunity to accept or reject the plan by secret ballot. They were not allowed to vote on specific provisions of the plan, however. The employees were required to approve it as it was designed, or reject it, and, by implication, the concept of employee representation as well. The firms surveyed reported an acceptance vote averaging 85 percent of the voting employees.¹

¹Three of the four firms which allowed a vote supplied data on the percentage of employees accepting the plan.
The other firms surveyed did not allow a formal vote. They instead announced that the plan was in force and urged employees to elect representatives. Of course the employees could register their displeasure with the plan by refusing to elect anyone. There is no evidence that such action was taken in any of the companies surveyed.

The design of the plan was in most cases also in the hands of the employer alone. In a few instances representatives of employees were asked to join with the company's management to assist in the construction of the plan. In the Goodyear Tire and Rubber Company, for example, the president of the firm announced in 1919 plans for the establishment of a representation system in the firm. Although the design of the plan was established largely on a unilateral basis by the management, the employee representatives were allowed to work with management representatives in the development of a legislative body. The president stated that the goal of the management and employee representatives was to be the following:

... to formulate a plan to establish a legislative body somewhat along the lines of our national federal Congress, to give representation on matters of industrial relations to all Goodyearites over 18 years of age, who are American citizens, understanding the English language, who have had six months continuous service or one year's total service with the factory.3

2Seven of the nine plans allowed no formal employee participation in drafting the plan.

Although no information is available which would determine how much real voice the employee representatives had in the development of this one aspect of the company's representation scheme, the management's strong hand in the design of the rest of the plan suggests firm guidance in this aspect also.

A second and somewhat more participative approach to employee involvement was taken by the Dennison Manufacturing Company. The Dennison plan was launched in 1919 by posting a notice to all employees that an open-air meeting would be held to discuss the formation of a works council and the rules by which it would function. The employees were reported to have discussed the matter extensively with the result that a constitution committee was formed from among non-management employees, and a plan was developed by these individuals. Management representatives then discussed the provisions with the committee and gave their approval. The entire body of employees then voted their acceptance. The plan, however, was amended in several ways about six months later at the suggestion of the management representatives.

4Franklin J. Meine, "The Introduction and Development of the Works Committee in the Dennison Manufacturing Company," Journal of Personnel Research, III (August, 1924), 133. Mr. Dennison did supply the committee members with publications on employee representation to guide them in their construction of a plan.

5Ibid., p. 135.

6Ernest Richmond Burton, Employee Representation (Baltimore: Wilkins and Wilkins, 1926), p. 85.
Thus the Dennison approach appears to have allowed the employees more latitude in forming the kind of plan they desired than any of the other firms surveyed. But to say that the employees had complete control over the plan's design is, of course, an overstatement. As noted, the plan's make-up was subject to the approval of management and was at least indirectly guided in its formation by Henry Dennison through his supplying the constitutional delegates with approved reading material in employee representation. The approach nevertheless involved far more participation by employees than that taken by any of the other firms surveyed and may be properly regarded as an unusual means of designing a plan.

Method of Obtaining Membership in the Plans

With the exception of American Telephone and Telegraph, an individual automatically became a member of the representation plan when he became an employee of the firm, provided he did not hold a managerial or supervisory position. He typically obtained voting rights under the plan after a brief probationary period of thirty to sixty days. 7

In the case of American Telephone and Telegraph, employees were allowed to decide if they wished to be members and were required to take the initiative in joining. The Constitution of the Association of Employees stated

7 The Goodyear plan required a waiting period of six months of continuous service or one year's total service with the company.
that "an eligible employee who wishes to become a member of the Association shall affiliate with the Branch formed among employees of his Department and subdivision thereof as determined by the employee's work and place in the Company's organization . . . ."8

It is interesting to observe that employers who utilized these plans argued against compulsory unionism and for the open shop. Their own firms, with the exception of A. T. and T., were operating under a form of union shop in that all employees were also members of the representation plan whether or not they wished to be.

Qualifications of Employee Representatives

The firms' industrial representation plans were designed in every case to spell out the qualifications for an employee to represent his co-workers in meetings with management. The qualifications in the Bethlehem Steel Company's plan were typical of those of most firms:

Each employee who has been on the pay rolls of the Company for a period of at least one year immediately prior to the first day on which nominations shall be held, who on that day is twenty-one years of age or over and who is an American citizen shall be qualified for nomination and election as an Employees' Representative.


The employer appeared in every case to be concerned primarily with two qualifications: that the representatives were his own employees and that they had been on his payroll for a minimum period of six months to a year.

The requirement that all representatives be employees of the firm reflected the desire of the employer to avoid dealing with outside organizations, i.e., labor unions. The waiting period was apparently designed to more nearly insure that employees elected to these posts were relatively stable individuals who had some knowledge of the company and the department in which they worked.\(^{10}\) It also appeared to have been an attempt to discourage outside agitators from joining the firm for the sole purpose of being elected a representative.

**Representation Ratios and Method of Election**

In every plan surveyed the employees were guaranteed the right to freely elect their representatives by secret ballot, usually once a year. Perhaps because of the management's fear that the plan might be subject to charges of company domination, a clause was included which emphasized the company's lack of involvement in nominations and elections. Typical of these clauses was the following statement of the International Harvester plan:

\(^{10}\)This conclusion is based on personal interviews with individuals who worked under and administered the representation plans. Reference to these interviews will be more fully made in the following two chapters.
Nomination and election of Employee Representatives shall be by secret ballot. . . . Employees will deposit their ballots in a locked box carried by a teller representing the employees, who shall be accompanied by a timekeeper. . . . When all who desire have voted, the timekeeper and two employee watchers shall open the ballot box and count and record the votes, in the presence of the Works Auditor, or person designated by him.11

The number of representatives which the employees were allowed to elect varied from firm to firm, but was typically one representative for each one hundred to two hundred employees. Some companies used departmental divisions and allowed the election of at least one council member for each department, regardless of its size. If the department contained enough employees to merit additional representatives, they were, of course, permitted.

Management representatives were appointed by the president or some other top official or officials. If the firm had a personnel director, he was usually a member of the management committee or a neutral observer.12 The representation systems surveyed were careful to note that the number of management representatives could never exceed the number of employee representatives. In most instances the plans stipulated that the management and employee representatives must be of equal number. In a few cases the management committee was permitted to be smaller in number than the workers' committee.


12This point will be discussed more thoroughly in later chapters.
Again the reason for stipulating that at no time could the number of management members on the works council exceed the number of employee delegates appeared to be the fear of charges of company domination. At the same time, the requirement in most plans that an equal number of management and employee representatives were to be present also presented a measure of security to the firm. Since in every company a majority of the council was required to vote favorably on an issue before it could be passed, the employee representatives were unable at least initially to obtain a concession without management's agreement. In some organizations a two-thirds majority was necessary to pass a proposal.

**Independence of Representatives**

Like the issue of employee freedom in electing delegates, the independence of representatives seems to have been a sensitive area for employers using representation plans. In every plan surveyed, an explicit statement was made concerning the complete freedom of representatives to raise issues and speak frankly without fear of employer retaliation. The American Telephone and Telegraph agreement, for example, stated that "The Company agrees that a member of the Association shall not be accountable to the Company for any speech, debate, or performance of duty in

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13 This topic will be explored more fully in a later section of this chapter.
connection with the constitutional functioning of the Association.\textsuperscript{14} The extent to which such a promise was carried out is, of course, another matter. It should be noted that a review of the literature of the time revealed no obvious violations of the companies' pledge. Union publications stressed repeatedly the point that no representatives could be truly free to speak without fear of company reprisal, but no specific instances were cited in which the companies actually took action against representatives. Although it may be argued that reprisal was much too subtle to be easily discovered or that fear or reprisal kept most employee representatives from ever raising questions which were controversial,\textsuperscript{15} it does appear that visible violations of this type of pledge were virtually nonexistent.

**Matters Considered by the Councils**

The topics to be discussed by the works councils were usually described in broad terms. The Standard Oil of Indiana Joint Committee was to have "jurisdiction over wages, hours, employment, working conditions, safety and accidents, sanitation and health, recreation and any other matters brought before them by representatives of either


\textsuperscript{15}The National Labor Relations Board raised this issue in its decisions against the plans in the 1930's.
management or employees."\(^{16}\) Most firms did not publish a record of the frequency with which various subjects were considered. Many did post the minutes of the periodic meetings on company bulletin boards and in company publications.

Bethlehem Steel Corporation did periodically print in their company newspaper a tally of the frequency with which issues were raised. Table I presents the classification of cases dealt with through employee representation in 1934.

Although wages, hours, and working conditions were legitimate topics for debate, in every firm surveyed the method by which these subjects were raised frequently differed from the approach taken by a labor union. Adjustments were often made on the basis of individual employee requests through their elected representatives. Individual rather than collective requests were quite common under employee representation.

In arguing for the abolishment of the Bethlehem plan, the National Labor Relations Board emphasized this lack of real collective bargaining:

The Plans never bargained collectively—they never negotiated for such a contract. They acted only on such matters as the adjustment of grievances. You will find in the record some two hundred types of grievances dealing with such matters as John Jones said there is too much sunshine in the window, or John Jones said

<table>
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<th>Topic</th>
<th>Percent</th>
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<tr>
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<td>Hours and working conditions</td>
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<td>Pensions and relief</td>
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<td>Health and works sanitation</td>
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<td>Rules, ways and means</td>
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<td>Practice, methods and economy</td>
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</tbody>
</table>

there is too much of a screen in front of him. . . . There have been few attempts to deal with wages on a general basis or with the eight-hour problem . . . 17

Some issues which affected the entire working body were, however, raised by employee representatives and resolved to their satisfaction. Early writings indicate such results. 18 Nevertheless, it does appear that much of what was initiated by employees could be classified as grievance handling rather than collective bargaining.

Source of Financing for the Plans

The expenses attendant with the formation and administration of every plan surveyed were borne by the company. A statement of the employer's intention to back the plan financially was commonly found in the formal charter or agreement between the company and the employees. Such expenses included paying the regular wages or salaries of all employee representatives while performing representation duties and those of any other employee when appearing before the works council.

In accordance with the bearing of all expenses by the employer, no membership dues were charged the members. While this practice eliminated any possibility of financial burden to the employees, it also meant that the employees had no treasury from which they might finance any activities

17 Bethlehem Steel Company v. NLRB, CA DC (1941), 120 F.2d. 641.

not wholly approved by the employer. For example, the right to strike was never explicitly denied the employees under these representation systems (although it was never explicitly granted), but its likelihood was decreased due to a lack of funds maintained exclusively by the members. Admittedly, many strikes of this time were strikes for employer recognition of a union and were not backed by any strike fund created by the company's employees. Nevertheless, if a union did exist within a firm, it enjoyed a financial independence that an employee representation plan could not claim.

Thus while exclusive employer funding relieved the employees of any financial obligation, it did at the same time decrease the employees' power over their representation plan. This characteristic was later attacked by the National Labor Relations Board as evidence of company domination. Some firms (including Bethlehem Steel, for example) as a result dropped their financial support hoping that this would satisfy the Board's criterion for an independent employee organization. However this was not in the judgment of the Board sufficient evidence that the plans were free of company control.

Procedure for Raising Issues and Resolving Them

The way in which issues could legitimately be raised by the employee or management representatives was in part dependent upon the design of the representation bodies.
The plans surveyed were not identical in their design, but seven of them can be classified into one of two groups: the Joint Committee structure and the Industrial Democracy form.19

The Industrial Democracy form was so named because it was patterned after the three branches of the United States Government. The House of Representatives was composed of employee spokesmen. A Senate was composed of appointed members of first line and middle management. A Cabinet consisted of executive officers of the company with the president of the firm serving as the chairman or head of the cabinet.

Bills or proposals were allowed to originate in either the House or Senate and were required to pass both houses before they could be submitted to the Cabinet. The Cabinet served as an executive body, approving or disapproving proposed legislation and possessing veto power over submitted bills. It could also suggest legislation for origination by either branch of the legislature. A diagram of this type of plan is shown in Figure 1 on the next page. This sort of plan, while perhaps more artistic in its design than the Committee form, was by far the less popular of the two approaches.

19The Goodyear Tire and Rubber Company was the only firm surveyed using the Industrial Democracy format. Six firms could be classified under the Joint Committee format. The Armco and Westinghouse arrangements were such that their employees had no legislative power.
FIGURE 1
INDUSTRIAL DEMOCRACY EMPLOYEE REPRESENTATION STRUCTURE

MANAGEMENT OF THE COMPANY

CABINET COMPANY OFFICERS
For consideration

EMPLOYEES OF THE COMPANY

For consideration
SENATE
Bill may originate

Subcommittees

For consideration
HOUSE OF REPRESENTATIVES
Bill may originate

Subcommittees
A survey of twenty companies conducted in 1926 found that 6 percent of the works councils in operation were of this Democratic form while 94 percent were some sort of Committee arrangement.20

The committee form, as the name implies, consisted of joint committees, usually made up of an equal number of workers and representatives of management. The major difference in formal operation of this approach from the Industrial Democracy format was that both sides discussed an issue together before voting on it. The industrial Democracy approach began with the introduction of a bill by one house or the other and a commitment to that bill by the introducing house.

In some of the Committee arrangements a two-thirds majority of the management and employee representatives was adequate to pass a resolution. In other instances both a majority of the joint committee and top management were required to approve every proposal submitted.21 A diagram of the committee form is shown in Figure 2 on the next page.


21Of the companies surveyed which used the Joint Committee system, one required a two-thirds majority of the management and employee representatives to put a proposal into effect. Five firms required both a simple committee majority and top management approval.
FIGURE 2
JOINT COMMITTEE EMPLOYEE REPRESENTATION STRUCTURE

PRESIDENT OF COMPANY or ARBITRATOR

OFFICERS OF THE COMPANY

WORKS COMMITTEE COMPOSED JOINTLY OF OFFICERS AND WORKERS

WORKERS OF THE COMPANY

Subcommittees
Although the design of this approach was somewhat different from that of the Democratic approach, its substance was substantially the same. In both cases, representatives of each side raised issues, considered them, voted on them, and generally, passed them to a higher level of management (usually the plant manager or the president) for approval.

In some firms the decision of the top management official could be appealed. Of the companies surveyed, three had some form of arbitration clause in which appeal to an impartial individual outside the company was allowed. The clauses in two of these three limited the strength of appeal, however. In these firms no case could go to arbitration without the president's approval. Of the other firms included in the survey, none allowed an appeal to persons outside the firm. The decision of the president or board of directors was final.

In those plans which permitted outside arbitration, the employees and their representatives were given a measure of added protection and independence. However, one survey made during the period of employee representation indicated that the right was seldom if ever used. The study reported that "in the practical working of these plans, final settlement by arbitration . . . occurs only in

22These firms were Bethlehem Steel and International Harvester.
exceptional and very infrequent cases." The firms surveyed in this study which allowed arbitration apparently made little use of the provision.

Only in the Armco and Westinghouse plans were there no formal legislative or administrative powers given to employee representatives. The committees were designed to perform only in an advisory capacity to management. While issues relating to the employment relationship could be raised by employee representatives, no formal votes were taken. Management retained the entire function of decision making.

Procedure for Amending the Plan

The fact that representation plans did not have a specific expiration date meant that there was no stated time at which the terms of the authority relationships between management and the employees could be reconsidered. In order to alter these relationships, the plan itself required amendment.

In all but two of the firms which were investigated a formal procedure for changing the plan was included in its design. By analyzing these amendment procedures a greater insight into the employees' right to influence their plans may be gained.

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24 The firms which had no provision for amendment of their plans were Armco Steel and Westinghouse.
A survey of the amendment procedures of these firms indicated that all required either a simple majority of both management and employee representatives to approve a change or a two-thirds majority of both sides. These provisions meant, of course, that the employees could make no alteration in their plans without the agreement of management.

Although such joint approval was similar to a union-management bargaining relationship, the employees working under employee representation did not possess the economic power that was and is often characteristic of a labor union. Although the employees theoretically had the right to strike under a representation plan, strike funds were lacking along with help that employees in other firms and other employees in the same firm might have given them under unionized conditions. Thus the employees had little real power to obtain any alteration of the representation system set up by management. Their only means of obtaining amendments was to request that management allow the changes. Although data on the frequency and initiation of amendments is incomplete, it appears that as in the initiation and design of the plans the employees played little active part.

Summary of the Outstanding Features of Plan Design

Employee representation plans in the firms surveyed were in most instances the creatures of the managements of
the firms which used them. In the design stage of the
plans employees were not active participants. When given
the opportunity to vote at all, the employees were asked
to approve a plan in full or to reject it in its entirety.

An employee became a member of the representation
system in most firms by simply being hired; there was no
way he could elect not to be a member. He was, however,
prevented from holding office as an employee representative
until he met both an age and a service requirement. Such
a provision was apparently motivated by the desire to deal
only with employees who had some grasp of the company's
operations and its problems.

Companies utilizing employee representation guaran-
teed the right of secret ballot in representation elections.
No record of violations of this promise by any firm was
uncovered. Similarly, the independence of representatives
from company retaliation was guaranteed. No overt viola-
tions were found in the literature of the period.

The representation councils considered a number of
topics including health and safety, hours and working con-
ditions, wages, and pensions and relief. On the subjects
of wages and hours, the discussions tended to center on
individual adjustments rather than on company-wide changes.

The plans were wholly financed by the companies
resulting in no membership dues, but also in no employee
fund independent of the company. Organized employee
activities which required financial backing also required company approval.

Issues could be raised by either management or employee representatives at the council meetings. A majority vote of both sides was generally required with the final decision made by top management. In a few instances employees were allowed to appeal to an outside arbitrator if they felt that management's decisions were unfair. Arbitration was, however, rarely used.

Amendment of the plan was in most instances allowed if the majority of both management and employee representatives agreed to the change. Although union-management agreements had essentially the same requirement, the bargaining power of the employee representatives was usually much less than the representatives of a union. When employees wished changes in the plan, they were in essence petitioning management and were dependent upon their decision.

Conclusions Concerning the Formal Design of the Plans

Employee representation plans were without question largely the product of company managements and management consultants. And as a result, their design reflected management's views of the extent to which their employees should have a voice in the affairs of the company.

The representation systems were designed to allow some employee participation in determining solutions to
labor-management questions, but as the preceding analysis indicates, management built safeguards into the plans to protect their own freedom to act as they saw fit. The plans were primarily a combination appeal and suggestion system to management. The effectiveness of these two functions was largely a question of management good faith and to a lesser extent, employee interest. Only an analysis of plans in operation could reveal such information.

This explanation of the limitations upon employee authority under the plan is not intended to imply that representation systems were of little value. As the following chapters will demonstrate, employee representation was a positive force in the development of personnel administration in this country. The analysis of the formal design of the plans, nevertheless, has revealed the role which managements apparently saw for their employees under employee representation.
CHAPTER IV

EMPLOYEE REPRESENTATION AND THE STANDARD OIL COMPANY OF NEW JERSEY

In order to fully understand the employee representation plan of Standard Oil Company of New Jersey, it will be necessary to look briefly at the company's personnel policies prior to the installation of the plan. In so doing a brief history of the formation of the company from its parent organization, the Standard Oil Trust, will be included with a discussion of the parent's influence on personnel relationships.

The Standard Oil Trust was formed in 1882 by an association of forty-one companies, most of which were either wholly owned or principally owned by the investors who contributed their stocks to the Trust. The guiding hand of its operation was John D. Rockefeller. The Trust, which was later reorganized as a holding company operation, was a vertically integrated and sprawling operation which by the time it was ordered dissolved by the Supreme Court was operating in all states and a number of foreign countries. Its eventual goal was to incorporate a separate
Standard Oil Company in each of the states with control vested in the parent organization.¹

In 1911, however, the holding company was ruled a monopoly by the Supreme Court and was ordered broken up into a number of completely separate operating companies.² A number of these companies retained the Standard Oil designation. Included among these was the Standard Oil Company of New Jersey.³

Early Personnel Policies of Standard Oil of New Jersey (1911-1915)

The attitudes of the company toward its employees did not emerge newly formed with its creation in 1911. They were in large measure a carry-over from the preceding years of the Trust's operation. The Trust's early policies toward both management and non-management employees are thus believed to be valuable indications of the New Jersey company's personnel approach.

Although data concerning the Trust's treatment of employees is fragmentary in these early years, John D. 


³Other companies retaining the name included Standard Oil of California, Standard Oil of Indiana, Standard Oil of Kentucky, and Standard Oil of Ohio.
Rockefeller in 1901 stated that the company "has sought for the best superintendents and workmen and paid the best wages."\(^4\) He further said that the company's policy was one of permanent work and good wages for those employed by the company.\(^5\)

Public pronouncements were apparently often backed up by action. Researchers who investigated the pay scales for Standard refinery workers in 1889 concluded that wages were as high or higher than those in any other company in the oil business during those early years.\(^6\) Cost of living increases were also granted periodically in the years from 1890 to 1911.\(^7\)

Other early employee benefits included stabilization of employment, reluctance to employ child labor, pensions for long-service employees, and payment of medical expenses for some workers injured on the job.\(^8\) While such actions seem only routine today, they were truly extraordinary at the turn of the century. Management was, of course, free to grant or withhold benefits as it saw fit. The concept


\(^5\)Ibid., p. 763.


\(^7\)Ibid., p. 593.

of an employee voice in the determination of wages, hours, and working conditions was no more acceptable to Standard's leadership than to most.

The tradition that the New Jersey company had inherited thus might be best described as one of benevolent autocracy toward its employees. While progressive in many aspects in its labor relations, the company held in those early years to its policy of unilateral determination of wages, benefits, and working conditions in the refineries, pipeline operations, and marketing divisions.

Despite the company's generally benevolent attitude toward its labor force, working conditions in the refineries were considered by many employees to be unsatisfactory during those early years. By 1915 the dissatisfaction was shown by a strike of the workers in the Bayonne refinery. The major issue centered around the workers' unhappiness with their rates of pay, the hours they were required to work, their physical surroundings, and treatment by supervisory personnel.

With regard to hours, one observer who talked to the strikers wrote that a refinery employee would often work 168 hours in two weeks, with one twenty-four hour shift when the night shift was changed to the day shift. An employee of the Bayonne refinery during those times later described his own situation in the following way:

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I worked a good many years the whole twenty-four hours and I remember working every Sunday. . . . I remember working up to five o'clock in the evening, from seven, and at five I unhitched the horse and took it out and put a fresh horse in, and then I would continue working on until seven in the morning. They never thought of working a poor horse twenty-four hours, but they never considered the human being.¹⁰

Working conditions, while beginning to improve by the turn of the century, were often poor in the refineries. Safety equipment was infrequently found although goggles for workmen and electric lights were provided by about 1900. Washrooms were rarely found in the refineries. Refinery workmen were accustomed to drawing their wash-up water from a condenser into a bucket, carrying the bucket to the boilerhouse, and warming the water with steam before washing.¹¹ In a letter to the New York Times, a striking worker insisted that the heat in many departments was often intolerable. He further maintained that the workers in these departments were often forced to drink warm water if they drank any at all.¹²

Supervision in the refineries was described by some as not only frequently inept, but often vicious. One of the workers' demands during the strike stated, "We request humane treatment at the hands of the foremen and superiors


in place of the brutal kicking and punching we now receive without provocation."\(^{13}\) Whether or not this charge was representative of foreman-worker relations, it did demonstrate that many workers felt strong antagonism toward first-line supervision. An interview with one former employee who was a wage earner in the Bayonne refinery during this time confirmed that relations between supervisors and rank-and-file employees were generally poor.\(^{14}\)

Wages were another major grievance of the striking workers. Although Standard's policy was to pay prevailing wages or better to its employees, one observer stated that the workers were underpaid and lived in greater poverty and squalor than even the workers of the fertilizer companies of the area.\(^{15}\) Wage rates, as noted previously, had been comparable with other companies in the industry. A comparison with average wage rates in manufacturing is difficult because of fragmentary data available from Standard Oil of New Jersey. However a partial comparison follows:


\(^{14}\)Confidential communication with a retired employee of Standard Oil of New Jersey who worked in both non-management and management positions during his career with the company. December 10, 1969.

\(^{15}\)Pinchot, *loc. cit.*
Average Annual Earning
(Wage Earners)

<table>
<thead>
<tr>
<th>Year</th>
<th>All Manufacturing</th>
<th>Standard Oil of New Jersey</th>
</tr>
</thead>
<tbody>
<tr>
<td>1915</td>
<td>$568</td>
<td>$ 970</td>
</tr>
<tr>
<td>1916</td>
<td>651</td>
<td>1199</td>
</tr>
<tr>
<td>1917</td>
<td>774</td>
<td>1429</td>
</tr>
<tr>
<td>1918</td>
<td>980</td>
<td>1572</td>
</tr>
</tbody>
</table>

It thus appears that the workers did enjoy a substantial pay advantage, at least in terms of averages, over workers in other areas of manufacturing. Nevertheless, the Bayonne employees demanded higher wages as a condition for returning to work.

The strike was a bloody one; both sides incurred casualties. The company had hired armed guards to protect its property from the strikers, but newspaper reports stated that the guards roamed the streets and shot into the houses of strikers. Much gunfire was exchanged between the antagonists despite the efforts of law-enforcement officers. The strike was ended twelve days after it began with no concessions made by the company. Throughout the strike the company maintained that it would consider the requests of the workers only when they had returned to work and peace was restored.

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17 Standard Oil of New Jersey, History of Employee Relations File, 1925.

The company did grant some concessions to the workers after the strike was over. Wages were increased by 10 percent in the refineries. Later that year the eight hour day was also instituted so that a normal work week consisted of a forty-eight hour, six day week. A three-shift system replaced the two-shift scheme that had previously been used. These changes affected 7500 refinery employees.\textsuperscript{19}

Despite the company's response to some of the wishes of its employees or perhaps because of its responsiveness, another strike occurred at the Bayonne refinery in the following year. Again the clamor was for improvements in wages and working conditions, and again the strike was ended with no definite promises made by the company.

In spite of the company's action to improve wage rates again, there was evidence that the directors and top management of Standard Oil of New Jersey were questioning their own relationships and policies with regard to the rank-and-file-worker. The company had grown large with a resultant administrative distance between the policy-making groups and the level at which the policies were executed. There was almost no contact between the top and bottom levels of the organization's hierarchy. In 1916 John D. Rockefeller, Jr. wrote that the growth of the organization of industry had proceeded faster than the adjustment of the

\textsuperscript{19}Standard Oil and the Eight-Hour Day," \textit{Outlook}, III (September 15, 1915), 109-110.
interrelations of men engaged in industry. Rockefeller was reported by this time to have been concerned with the need for management to set up some machinery for allowing the workers to air their grievances and to have a voice in the affairs of the company.

The adverse experiences Rockefeller had had with the labor problems of the Colorado Fuel and Iron Company and their apparent solution through the installation of a plan of employee representation led him to believe that a similar solution to Standard Oil of New Jersey's labor troubles might be found. Rockefeller thus suggested to A. C. Bedford, then chairman of the Board of Standard Oil, that a plan similar to the one in Colorado be considered as a solution of the labor problems being experienced in Standard Oil Company of New Jersey.

As a result Clarence J. Hicks, an assistant to W. L. Mackenzie King in the installation of the Colorado plan and its administrator once it had been installed, was invited by Bedford to come to New Jersey and survey labor relations in the Standard refineries. This he did, and in 1917 he recommended the installation of an employee

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representation plan similar in design to the one which was being used in Colorado.23

The plan was accepted by the company's board of directors, and Hicks was given the position of Executive Assistant to the Chairman of the Board. It was his task to explain the plan to the Employees and to install and administer it.24

Hicks traveled to each of the refineries of Standard Oil and explained the plan to the employees. In each of the refineries the plan was accepted by a large majority of those voting.25 In Baton Rouge the boilermakers had gone out on strike shortly before Hicks' visit. Upon his arrival at the refinery, he asked to speak to the striking workers. His presentation resulted in their acceptance of the plan and the withdrawal of their support from the strike leaders.26

Although the design of the plan follows the outline of the plans discussed in the previous chapter, a brief discussion of its formal construction will follow. Employee representatives were elected from each department with one representative for each one hundred employees and a minimum of one representative per department. Representatives'

24 Hicks, op. cit., p. 54.
25 Ibid., p. 54.
26 Reymond, op. cit.
terms of office lasted one year, and there were no restrictions on the number of terms they could serve. Management's representatives were selected by top management. There were to be an equal number of management and employee representatives at each meeting.

Meetings were held a minimum of once each two months. These were called works conference or joint conference meetings. Special meetings could be called by either side at any time. In addition, annual meetings, called general conferences, were held with representatives from the refineries and top management personnel and members of the board of directors in attendance. These general conferences were apparently designed not for the discussion of grievances or the raising of issues, but primarily for the purpose of increasing the contact between personnel at the top and bottom levels of the organization.

At works conferences, a representative from the personnel department usually acted as chairman and was officially neutral. Although he was designated by management as a conciliator between the two sides, one personnel representative was told by his superior to take the side of the employees in any dispute with management.27 The personnel department was formed in each of the company's

27Ibid.
plants in 1919 at the time of the representation plan's beginning.

Issues were to be settled by a majority vote of employee and management representatives. This procedure was often ignored due to the informality of many of the meetings held at the refinery level. The representatives would often agree without any formal vote being taken.\(^\text{28}\)

Issues were raised by the employee representatives as the result of suggestions and complaints made by workmen in the departments they represented. Employee representatives were free to raise any issue relating to wages, hours, working conditions, and any other matter affecting employees. Management stressed the point that workers need fear no displeasure or retaliation as the result of any statement or request made through the plan. Interviews indicate no recollection of any case in which management violated this pledge.

If an employee became involved in a dispute with his supervisor, he was first required to attempt to settle it with the supervisor, either personally or with the help of his departmental employee representative. If this attempt was unsuccessful, the matter could be appealed to higher management and then be brought before the works conference for settlement. Employee grievances which were not settled by the conference could, like any other unresolved matter, then be appealed to the refinery's top

\(^{28}\)Confidential communication, op. cit.
management. Decisions at this level could in turn be appealed to the company's board of directors whose judgments were final and binding on all matters. No opportunity was given for appeal to an outside arbitrator. Those interviewed could recall only a few instances of appeal to the refinery's top management or to the company's board of directors. Nearly all matters were settled at the works conference level.

In addition to joint meetings between management and employee representatives, informal meetings among employee representatives were occasionally held. Although Standard Oil did not permit such meetings to be held on company time, it did not discourage representatives from discussing issues among themselves on their own time.

The plan's operation was financed entirely by the employer. Employees automatically became members after a waiting period of six months. No dues were charged the membership, and meetings were held at company expense. Elections were also held on company time with both a management and employee representative present at both the balloting and the counting of votes.

Although the plan contained no formal provision allowing the employees to strike, there was no specific statement forbidding this action. In fact, no strike did occur during the life of the plan. It might be noted, however, that the employees had no strike fund available since
they paid no dues, and there was no independent employee treasury.29

The plan provided for its amendment through joint agreement between management and workers' representatives. It was never amended as far as the eight retired employees who were interviewed could recall. One individual suggested that this lack of change resulted from the relative informality of the plan and the flexibility of both sides in dealing with one another.30

The plan functioned continuously from its inception in 1918 until 1937 when the National Labor Relations Act was declared constitutional by the Supreme Court. At this time the company's lawyers advised top management that the representation plan fell under the Act's definition of a company dominated labor organization. The company withdrew its support from the plan and advised its employees to form new labor organizations which met the requirements of the Act.

The company's employees were said to be generally upset and frustrated when the law required the abandonment of the plan.31 Although generalizations such as these are difficult to verify, in each refinery independent unions

29 This topic was discussed in more detail in the previous chapter.

30 Confidential communication, Standard Oil of New Jersey, op. cit.

31 Reymond, op. cit.
were established. Resembling the representation system in many ways, the unions in most instances elected former employee representatives as their first officers.

The eight retired employees who were interviewed were unanimous in the belief that the plan was an important contributor to labor peace both during its existence and in the period of independent unionism which has followed. One individual stated that the plan contributed to an effective working relationship between management and labor so that both could feel that they were a part of an integrated team. He felt that these were the types of relationships that actually existed in most departments of the refineries. 32

The analysis of Standard Oil of New Jersey's representation plan has until this point been primarily descriptive in nature. The discussion has centered upon personnel policies of the firm prior to the plan's introduction, their influence upon the installation and design of the plan, and finally, the plan's actual installation and operation.

The effects of the plan upon the organization will next be investigated. It has been assumed, as was pointed out in the first chapter, that employee representation made a number of positive contributions to worker-management

32Interview with M. C. Hagen, former Employee Relations Manager of the Bayonne, New Jersey refinery and now with Industrial Relations Counselors of New York, December 30, 1969.
relationships. It is the purpose of this section to determine the extent of these contributions to Standard Oil of New Jersey.

The Representation Plan and Channels of Communication

Adequate communication with subordinates is, of course, a necessity for management if it is to convince the workers of the wisdom of its actions. As Barnard has stated, "The first executive function is to develop and maintain a system of communication." That the top management of Standard Oil of New Jersey had become aware of their lack of real success in achieving adequate communication with rank-and-file employees was cited in an earlier part of this chapter. M. C. Hagen pointed out with reference to this problem that management felt that it was treating the work force fairly; however, decisions for wage increases, improvements in working conditions, and benefit liberalizations were unilateral. He stated that no one bothered to ask the workers what they wanted. The strikes of 1915 and 1916 indicated that workers did have wants that management had ignored.

One of the primary reasons for instituting the employee representation system was, according to management representatives, the desire to establish the contact which was lacking between the work force and management.

34Hagen, op. cit.
As mentioned previously, John D. Rockefeller, Jr. was concerned enough about this problem to suggest to the company's management that a form of closer contact between management and the labor force be attempted. Employee representation was the means by which this contact would be achieved. Clarence J. Hicks stated at the first meeting of management and employee representatives, "The Representation Plan inaugurated at the election last Wednesday provides a method of preserving direct contact between the management and their employees."^35

While the existence of available communication channels is not, of course, proof that understanding among organizational levels must result, their establishment nevertheless may be regarded as a prerequisite for this understanding. "Communication is the bottleneck through which effective management ideas must pass, so it often is a key managerial problem."^36 The effectiveness of the communication which was transmitted through these channels will be evaluated in later sections of this chapter.

The question remains as to whether the plan did in fact increase to any significant extent the volume and clarity of communication from policy-making levels of

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^35 Clarence J. Hicks, Address at Standard Oil of New Jersey's first representation meeting, New York City, April 1, 1918. Standard Oil of New Jersey, History of Employee Relations File, 1918.

management to the rank-and-file worker. A partial answer to this question can be obtained by looking at the plan's effect upon the number of downward channels of communication in the organization.

Prior to the installation of the representation system, the supervisor was used almost exclusively to pass information from higher management to operating employees. This method of communicating with workers is the usual technique in any large bureaucratic organization. It is still today one of the foremost techniques of passing information to operating employees.

In terms of keeping the employees informed of the actions of management, however, this approach was not particularly successful in the early years of the company's operation. First of all, supervisory personnel were not used to any significant extent to transmit information to operating employees. This was due in part to the lack of any clearly defined policy of sharing information with lower level personnel. While orders concerning expected performance goals were passed through the hierarchy and while announcements of pay increases and other benefits were also transmitted downward, attempts to explain the reasoning behind management actions were largely missing. Thus the supervisor himself was often without knowledge of

37 Interview with Richard Lackey, retired Employee Relations Director, Bayway, New Jersey refinery, January 7, 1970.

38 Confidential communication, op. cit.
why the company did what it did, and he was unable to explain such actions to his subordinates even if he wished to do so.

Secondly, the company maintained almost no controls over the supervisory staff in terms of labor relations policy. One retired employee stated that before the plan, each yard supervisor hired and fired employees, so that a worker could be fired in one department today and work in another tomorrow. Each foreman could fire an employee at the slightest provocation.39 In such a situation he was not likely to press his superiors for greater guidance in labor relations.

The weaknesses of the chain of command as a channel of communication were, therefore, twofold: the management failed to pass any significant amount of explanatory information to operating employees, and it applied little if any control on its supervisory personnel to determine the way they represented the company to the workers.

It is interesting to note that these weaknesses could have been corrected largely through strengthening the existing channel. This in fact was done in later years. It must, however, be remembered that this was 1918. Comparatively little understanding of effective organizational communication techniques existed, and attempts to improve

39Interview with Harry D. Field, refinery worker in the Bayonne refinery during the years of the plan's operation, January 14, 1970.
labor-management relations were largely experimental. The management of Standard Oil was looking for a means to improve its relationship with its employees, and when employee representation appeared, it was quickly adopted as the possible way to achieve this improvement. The result was to largely bypass supervisory personnel and obtain a direct link between management and operating employees.

The creation of downward channels. More specifically, what new channels of communication were added to the existing ones as a result of employee representation? The first and most obvious were the employee representatives themselves. The representatives provided a point of connection between company management and the individual worker. They in effect bypassed the supervisor as an information channel, reporting directly to their constituents what took place in the representation meetings.

In addition to the meetings between employee and management representatives at the refinery level, yearly meetings were held at which representatives met with corporate top management to exchange ideas and information. In these meetings corporate officials sought to explain to the employee representatives the reasoning behind many of the policy decisions of the company.\(^\text{40}\)

The refinery and corporate levels of management had, therefore, established a means of getting the company

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\(^{40}\) Interview with Clement A. Hurley, retired refinery worker and later supervisor in the Bayonne plant, January 20, 1970.
point of view across to the average workers. The employee representative was the means by which the message was to be communicated.

While direct contact between management and employee representatives resulted in an added communication channel in the organization, it was not the only one created by the representation plan. Although somewhat of a duplication of the previous channel, the printing and distribution of the minutes of the representation meetings to employees can be properly regarded as another method of communication created by the plan.

The minutes were printed at company expense and were distributed to every employee in the refinery who was a part of the representation plan. Plant management also received copies of the proceedings of these meetings.\footnote{Standard Oil of New Jersey, \textit{History of Employee Relations File}, 1922.}

Although the events which occurred in the meetings were to be explained to workers by their employee representatives, the formal minutes provided a second means by which management could attempt to explain its thoughts and actions to those at the operating level. In this way a form of insurance was provided against the possible inability or unwillingness of an employee representative to adequately explain the rationale behind management's
decisions. The employees could read the minutes of the meetings and find out what was said and by whom.42

Employees were also exposed to another printed form of communication as a result of the same motivations which initiated the representation plan. This publication started in 1918 was entitled The Lamp. It was and is today the company's official magazine distributed to employees and stockholders.

The Lamp cannot be said to have been created as a result of the representation system since it could have been initiated without a representation plan. It was, however, the result of the management's desire to obtain closer contact with the work force and to explain its decisions to them. In 1918 W. C. Teagle, then president of Standard Oil of New Jersey, explained to the first assembled group of employee representatives that the purposes of the new publication were to help each individual and department keep in touch with the rest of the company and to establish a unity of purpose among all employees of the firm.43

With essentially the same general objective as the representation plan, it is not surprising that the magazine functioned in a manner complementary to it. The journal

42 Interview with Willard G. McAndrew, refinery worker, employee representative and later supervisor in the Baton Rouge refinery, now retired, January 28, 1970.

43 W. C. Teagle, Address at Standard Oil of New Jersey's first representation meeting, New York City, April 1, 1918. Standard Oil of New Jersey, History of Employee Relations File, 1918.
frequently contained articles concerning the progress of the company, its generosity to employees in terms of wages, hours, and benefits, and the reasons behind management decisions. Excerpts from representation meetings were also published when believed by management to be especially important.

Three new channels of downward communication were thus a direct or indirect result of the representation plan. The employee representatives were a means by which plant and corporate management could reach production employees. Distribution of the minutes of representation meetings was a second method of delivering this information to employees. Finally, The Lamp, initiated by management at the time of the plan's beginning, worked together with the representation system to give management's point of view to the workers.

In retrospect, these added methods of communicating with workers do not appear particularly revolutionary. It must be remembered, however, that in 1918 they were significant additions to the recoupling of top and bottom organizational levels.

^See, for example, Clarence J. Hicks, "Confidence Between Management and Men," The Lamp, IX (April, 1927), 23-26; George H. Jones, "Loyalty a Priceless Asset," The Lamp, IX (April, 1927), 30-32; "The Company and Its Workers," The Lamp, XIX (April, 1937), 2-4. Current issues reflect a similar content.

^Hagen, op. cit.
The creation of the new communication channels did not in itself assure that they would be used by management and, if used, that they would be effective. Did management utilize the representation meetings as sounding boards for its points of view and did it encourage employee representatives to explain these points of view to their constituents? Evidence indicates that the answer to both questions is yes.

Management's usage of the channels. From the first representation meeting in 1918 management representatives appeared to be anxious to convince employees that the company was both wise and generous. At the second meeting of employee and management representatives in 1918, Clarence J. Hicks drove home the point of company generosity to those representing the New Jersey refineries:

The wage increase has been considered and adopted, and it seems to me it is your great privilege and your great responsibility to go back to those employees and speedily get the word to them that we have a wage scale that we are proud of, and it is time we settled down to business . . . you employee representatives can do very much to allay any unfounded discontent or restlessness that may exist on the part of the employees, and I think you will agree with me that your message as you go back tomorrow morning is "Boys, the Company has done its part and now it is time for us to do ours."\(^\text{46}\)

At the plant level, an analysis of the minutes of the representation meetings through the years reveals

\(^{46}\text{Clarence J. Hicks, Address at Standard Oil of New Jersey's second representation meeting, August 9, 1918. Standard Oil of New Jersey, History of Employee Relations File, 1918.}\)
similar statements by management members. One example is given from a meeting in the Baton Rouge refinery. The following comments were made by Mr. Callaghan, a long-time management representative at the refinery, speaking to the employee representatives:

The Company promises and gives you a safe place to work in. That is one of the things that the Company gives you that you cannot buy, and still you hear very little about it. . . . Here every man has the right to know why he was discharged, and if he was unjustly treated, the matter will be straightened out in a conference. . . . In return for all these things that the company gives you, they expect loyalty--loyalty not for eight hours--not while you are going to and from work--but in every minute of the twenty-four hours; and they expect this from every one of the employees.\(^{47}\)

In terms of volume of communication, the minutes of the meetings through the years indicated that management representatives utilized these meetings as regular sounding boards for company viewpoints. A study of the records of meetings at the Baton Rouge refinery for the years 1929 to 1937 shows an average frequency of one meeting every two months. Length of meetings averaged two and one-half hours each.\(^{48}\) Thus management had the opportunity to dispense company points of view on various subjects and apparently did so quite frequently. How effectively employee representatives explained management's position to the employees should next be explored.


\(^{48}\) "Minutes of Joint Conferences, 1929-1937," Baton Rouge refinery, Standard Oil Company of New Jersey.
Of the eight ex-employees interviewed on this subject, both management and non-management employees felt that the representatives did a generally satisfactory job of explaining to their constituents those matters which were discussed in representation meetings. Although the representatives were not said to have taken management's point of view in all cases, they were believed by the eight men interviewed to have been fair and to have explained to the men why management took a certain position.

The distribution of the minutes themselves acted as a second means of reaching the individual worker. How widely read these minutes were is of chief concern in an analysis of their effectiveness as a downward communication channel. Again, the eight individuals who were interviewed believed that worker interest in these meetings was usually fairly high and the minutes were widely read. One example of the importance of the minutes to employees was given by the former Employee Relations Director of the Bayonne, New Jersey refinery. He stated that employee representatives would make a special effort to speak out on an issue so that those employees they represented would see that they had been active in the meetings. He also pointed out that often a representative would speak up when the issue he was discussing had already been settled because of the interest in the subject of those he represented.  

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49 Hagen, op. cit.
non-management employee interviewed did indicate that employees were more likely to read the minutes of those meetings which dealt with issues of immediate interest to them and their department.  

Thus both the creation and use of new downward channels of communication were the result of the representation plan. Of equal if not greater importance was the creation of upward channels through which workers could reach higher levels of management with suggestions, appeals, and requests.

The creation of upward channels. As in the transmission of information from top to bottom of the organization, communication upward was allowed to follow only one channel prior to the installation of the employee representation plan. If the employee wished to appeal a decision or make a request, he was forced to do this through his departmental supervisor.

Interestingly enough, Standard Oil of New Jersey had had for some time a tradition of the right of appeal of any decision to higher authorities in the company. It prided itself in this approach to the exercise of authority.  

It was, however, a fact of organizational life that the effectiveness of the appeal process was dependent upon

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51 Gibb and Knowlton, op. cit., p. 570.
the individual superior. An unsympathetic supervisor would often dismiss an employee before his appeal could ever reach plant management.  

Since the supervisor had the right to hire and fire and since the company exercised almost no restraint upon the supervisor's authority in these areas, the employee had in reality no effective right of appeal. Regardless of higher-level management's intent to consider the wishes of its workers when making decisions (which by 1915 it claimed that it wished to do), it could not effectively know what problems the workers were facing or felt they were facing in their jobs except through the supervisor. Again, there is no evidence to suggest that management attempted in any serious way to determine the feelings of employees through their supervisors or to encourage supervisory personnel to lend an understanding ear to the problems of their subordinates. While the upward channel of communication existed, it was apparently infrequently used in any effective sense.

The Bayonne strikes of 1915 and 1916 were, as indicated previously, caused by the workers' feelings of frustration concerning unsatisfied needs coupled with no way to get management's attention in order to explain these

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52 Ibid., p. 571.

needs. The strikes were thus the workers' only way to obtain this attention.

That top management was beginning to recognize the need for closer contact with workers after two violent strikes has been pointed out previously. The employee representation plan was designed to provide employees with a non-destructive method of obtaining management's attention in the area of requests and grievances.

A formal appeal procedure for employee grievances was constructed with the creation of the representation plan. The appeal procedure first required that the aggrieved employee consult with his supervisor. If no satisfactory result was obtained, he could appeal to the superintendent of his department. The next step in the procedure was to bring the matter before the representation council, at which time the management and employee representatives would consider the matter and vote to either affirm or deny the grievance. A unanimous decision would end the appeal procedure, but if the decision was not unanimous and the employee was still unsatisfied, the grievance could be brought before the president with his decision as final.\textsuperscript{54}

Although it should be noted that the appeal system included as its first step the requirement that the

\begin{footnotes}
\footnote{Industrial Representation Experience of Standard Oil Company (New Jersey), April 1, 1918 to August 1, 1919 (New York: Standard Oil Company of New Jersey, 1919), p. 15.}
\end{footnotes}
aggrieved employee attempt to settle the issue with his supervisor, it should also be observed that there were several checks on the supervisor's power. First of all, the employee was allowed to have his departmental representative on hand when confronting the supervisor. Or, as an alternative, he could ask his representative to talk with the supervisor about the matter without the necessity of the aggrieved employee being present. The representative could adopt a persuasive role to encourage the supervisor to relent if he felt that the employee had a legitimate grievance.

Secondly, an employee could appeal the supervisor's ruling to higher levels of management and then if still unsatisfied, to the conference of management and employee representatives in the plant. Finally, a dissatisfied worker could appeal to the company's president a decision at the conference level which was not unanimous.

Perhaps the greatest safeguard in this formalized appeal procedure was the great reduction in the supervisor's power of dismissal. The plan published a list of offenses for which an employee could be dismissed upon first violation. In no other instance could a worker be removed without the concurrence of the newly formed Employment Department (later renamed the Employee Relations Department). And even if the Employment Department agreed that the employee should be dismissed, he nevertheless had the right
to carry his grievance through the designated appeal procedures.

In an analysis of appeal systems, Scott has observed that they are a systematic violation of the scalar principle of classical organization theory. Scott, however, justifies this violation of classical theory in terms of the improvement in overall coordination within the firm which results from the use of an appeal system. He states that the principles of uniform treatment and individual treatment take precedence over unity of command and exclusive reliance upon the scalar chain in large organizations.

Perhaps intuitively, the management of Standard Oil of New Jersey sensed in 1918 that overall coordination could be improved by allowing workers a chance to appeal decisions of their superiors to higher levels in the organization. And as a result of the representation plan, the employees of Standard Oil of New Jersey had a guaranteed means of reaching higher levels of management with their grievances. Although no arbitration procedures were established in the company's plan, the operating employee was given much more protection than he had prior to the plan's installation. One retired employee felt that before the


56 Ibid., p. 105.

57 As indicated in Chapter III, some companies' plans did have them.
plan's institution in 1918, the employees were subject to the whims of each supervisor who were regarded as lords of each area involved.58

In addition to the right to air grievances, the workers were given machinery for the making of requests and suggestions to management. This procedure, of course, involved the elected employee representatives, meeting in regular and special sessions. The plan made provision for these meetings by stating that elected employee representatives would meet regularly with representatives of management to discuss and decide upon all matters of joint interest, such as wages, hours, and working conditions.59 The employees could raise almost any question with their representative and have it brought to management's attention.60 One employee representative stated the relationship in the following manner: "You don't have to be dubious about going down [to your employee representative] and asking for your rights. You have the channel through which you can do it."61

58Field, op. cit.
59Industrial Representation Experience of Standard Oil Company (New Jersey), April 1, 1918 to August 1, 1919, op. cit., p. 14.
60Hurley, op. cit.
Employee usage of the channels. Two somewhat overlapping channels of upward communication were thus opened by the employee representation plan. These were the grievance procedure and the right to make requests and suggestions through the elected representatives. As with the downward channels, their frequency of usage must also be analyzed. Ideally, it would be desirable to compare the flow of grievances before and after the plan's installation and to observe the amount of grievances submitted. Unfortunately, no company records could be found which indicate how many grievances were received by management prior to the plan's operation.

One confidential report submitted to top management in 1928 by a special management committee investigating the company's plan did, however, briefly deal with this subject. The report outlined the frequency of usage of the appeals procedure in the following manner:

Conditions during the period of the war had culminated in the Bayonne strikes of 1915 and 1916, and relations between employees and some supervisory officials were still characterized by suspicion and ill will. It was natural, therefore, that in the early days of the representation plan a steady stream of grievances and complaints was poured into the conferences. From this condition there has been a gradual evolution until in most of the refineries in 1928 the bulk of the grievance cases were being settled between representatives and foremen.62

The report went on the state that grievances and requests had throughout the history of the plan been carried upon occasion to the higher officials of the company.\textsuperscript{63}

With reference to the flow of grievances upward before the plan's inception, it has earlier been stated that few if any such communications ever reached higher levels of management. Those interviewed confirmed this observation. All eight indicated that the number of grievances and requests by employees were substantial after the plan's initiation and that the channels of upward communication continued to be used frequently throughout the life of the plan.

An analysis of the minutes of the representation meetings provides further evidence of the willingness of workers to register their grievances with management. Throughout the history of the plan, employee grievances and requests were brought before management representatives.\textsuperscript{64} The effectiveness with which employees influenced management through the processing of grievances will be discussed in a later section of this chapter.

Thus as with downward communication, upward communication in the company's refineries was stimulated by the

\textsuperscript{63}\textit{Ibid.}, p. 19.

\textsuperscript{64}\textit{Industrial Representation Experience of Standard Oil Company (New Jersey), April 1, 1918 to August 1, 1919, op. cit.; Eleventh Annual Joint Conference of Industrial Representation Plan (New York: Standard Oil of New Jersey, May 3, 1928); Minutes of Joint Conferences, 1929-30, Baton Rouge refinery, Standard Oil Company of New Jersey.}
employee representation plan. The flow of communications in both directions was not in itself proof that either side understood the other any better. Such an interpretation can only come from investigating changes in attitudes resulting from this closer contact. Accordingly, the real impact of the new communication channels will be explored in the section which discusses economic benefits and grievance processing and in the discussion concerning organization climate. A discussion of the impact of the plan upon economic benefits obtained and upon the effectiveness of grievance processing follows next.

The Effect of the Plan Upon Economic Benefits and Grievance Processing

Perhaps the aspect of employee representation which obtained the most publicity was the improvement in economic conditions attributed to the plan's operation. The actual impact of the plan upon economic gains should therefore be analyzed.

Throughout the history of the employee representation plan, the employees of Standard Oil of New Jersey experienced improvements in their economic status and working conditions. The task here is to determine how significant a part the plan played in the granting of these benefits to the workers.

It is tempting to quickly conclude that the plan had no real role in the determination of benefits and that
it was simply a vehicle through which they were granted after being unilaterally determined by management.

Some evidence suggests the truth of this statement. In 1915, three years before the plan was introduced, the company decided that its refinery workers should work an eight hour rather than a nine hour day. No loss of earnings to the workers resulted from the reduction of working hours. In that same year wages of refinery workers were raised significantly.⁶⁵

We should, however, remember that 1915 was the year of the first major strike at the Bayonne refinery. These concessions, while not being granted at the time of the strike, came shortly after the workers returned to their jobs. In any case the benefits were unilaterally granted by management.

It can also be noted that at the time the representation plan was established, wage increases were given along with the institution of a number of fringe benefits mentioned previously. One journal article describing a portion of the benefits obtained by Standard Oil of New Jersey's employees emphasized that they were granted by the company's directors.⁶⁶ The benefits were obviously unilaterally determined, having no direct relationship to the representation plan.


Six of the eight individuals interviewed expressed the belief that many economic concessions made during the plan's existence would have eventually been granted by the company even without the representation plan.\textsuperscript{67} Statements of the six stressed that the company's policy was always to keep its wage rates at or above the levels of other firms even if there had been no plan. They did, however, indicate that without the representation plan, the benefits might not have been granted as soon as they were or in the amounts in which they were given.\textsuperscript{68}

The major wage and benefit increases, while largely decided upon by management, nevertheless appear to have been influenced in many cases by worker requests. While some of these requests were denied, they apparently made management aware that some compensation adjustments should be made.\textsuperscript{69}

An example of this influence can be cited from the minutes of the Baton Rouge representation meetings. During two successive conferences in 1936, the employee representatives pressed for a 5 percent increase in regular wage rates. Management resisted, using numerous arguments. In

\textsuperscript{67}Reymond, op. cit.; Confidential communication, op. cit.; Hagen, op. cit.; Lackey, op. cit.; McAndrew, op. cit.; McGraw, op. cit.

\textsuperscript{68}Ibid.

the following conference, management representatives announced at the beginning of the meeting that the company had reevaluated its position and would grant the increase. Management representatives also agreed to make adjustments in a number of individual job rates which employee representatives believed to be out of line. Interviews largely confirm the conclusion that employee representatives influenced both the timing of the granting of wages and benefits and the design of the compensation package even though their influence upon the long-term level of compensation was not great.

The plan had a much more direct influence upon the granting of comparatively minor concessions by management to individuals and departments who usually wished some adjustment in working conditions such as a change in lighting, heating, or the arrangement of work flow, or the correction of the actions of a superior. Transcripts of the meetings are filled with such requests. Although no tabulation of decisions was made concerning these requests, it does appear that many of them were decided in favor of the worker or workers making them. Table II on page 124 is given as an example of the kind of concessions asked for. It comprises approximately 14 percent of the grievances and requests processed during the year. When

70 "Minutes of Joint Conference, June 18, 1936;" "Minutes of Joint Conference, August 17, 1936;" "Minutes of Joint Conference, October 26, 1936," Baton Rouge refinery, Standard Oil of New Jersey, 1936.
TABLE II
SAMPLE OF EMPLOYEE GRIEVANCES AND REQUESTS DISCUSSED IN REPRESENTATION MEETINGS OF THE BATON ROUGE REFINERY, JULY 25, 1929 TO JULY 16, 1930

<table>
<thead>
<tr>
<th>Request or Grievance</th>
<th>Action Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dangerous steam pipe in a departmental restroom.</td>
<td>Agreement by management to have it covered.</td>
</tr>
<tr>
<td>Unjust dismissal of a laborer.</td>
<td>Grievance denied by management. Explanation provided.</td>
</tr>
<tr>
<td>Delay in company transportation to town for employees working overtime.</td>
<td>Grievance denied by management. Explanation provided.</td>
</tr>
<tr>
<td>Request for rearrangement of pay periods to allow employees a payday immediately before Christmas.</td>
<td>Granted by management.</td>
</tr>
<tr>
<td>Poor food served by company lunch wagons.</td>
<td>Improvements promised.</td>
</tr>
<tr>
<td>Poor fixtures in one department's restroom.</td>
<td>Improvements promised.</td>
</tr>
<tr>
<td>Request for hats and coats provided at company expense for employees who had to work outside in bad weather.</td>
<td>Denied by management. Explanation provided.</td>
</tr>
<tr>
<td>Request or Grievance</td>
<td>Action Taken</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------</td>
</tr>
<tr>
<td>Lack of employee training in how to use gas masks provided for emergencies.</td>
<td>Agreement by management to provide the training.</td>
</tr>
<tr>
<td>Request for flags to be given to those departments which had accident-free months.</td>
<td>Granted by management.</td>
</tr>
<tr>
<td>Request that pay office be moved to prevent employees from waiting outside in bad weather for paychecks.</td>
<td>Granted by management.</td>
</tr>
<tr>
<td>Request that the plant operate on daylight saving time in order to give employees more daylight hours after work.</td>
<td>Decision postponed by management for further study.</td>
</tr>
</tbody>
</table>

Source: Minutes of representation meetings (Files of the Baton Rouge Refinery, Standard Oil of New Jersey, 1929-1930).
grievances and requests were denied, management spokesmen went to great lengths to explain their reasoning and often succeeded in persuading employee representatives to vote with them in denying the adjustment.

It should be noted that by 1929 the majority of individual grievances were said to have been resolved among the supervisor, the employee representative, and the aggrieved employee. The grievances and requests presented in Table II were primarily those questions involving large numbers of employees which could not be settled without the approval of the plant's management.

While the willingness of management to adjust many grievances and requests in favor of the workers is not a perfect measure of improvement in their ability to understand workers' needs and desires, it does provide strong indications that this was the case. Certainly the fear of unionism and labor unrest was no doubt at least in part a motivator of company representatives' willingness to settle grievances and requests in the workers' favor, but the very fact that management now had a feedback mechanism from the level of the work force undoubtedly influenced their thinking about workers and their problems.

It therefore seems correct to conclude that although the plan was given more credit by official company statements than it deserved for its influence upon

\[71\text{Hagen, op. cit.; McAndrew, op. cit.; Field, op. cit.}\]
increases in wages and benefits, it nevertheless did have some effect upon them. To the extent that the representation system made management aware of the specific benefits that workers were most interested in, it did influence when major concessions were granted and in what configuration. In addition, relatively minor adjustments in working conditions and the correction of grievances were directly affected by the plan throughout its existence.

The plan at the same time encouraged a standardization of labor policies and a recentralization of personnel administration into the hands of higher levels of management and away from the supervisory work force.

Impact of the Plan Upon the Formation and Growth of the Personnel Department

Prior to the institution of Standard of New Jersey's employee representation plan, the company had no centralized personnel department in any of its refineries. As was indicated previously, employment was largely in the hands of the supervisor as was transfer, discipline, and discharge.

As formerly mentioned, the Joint Agreement which established the plan also created a central Employment Department in each refinery. The head of this department was directly subordinate to the general manager of the refinery and functioned with relatively little supervision from corporate headquarters. In an informal way, however,

72Hagen, op. cit.
Clarence J. Hicks, Assistant to the President, and the counterpart of today's corporate personnel director, exercised control over the employment managers in the New Jersey refineries through monthly meetings in which problems were discussed and suggestions for their solution were made.\(^{73}\)

Even though there is evidence that they encountered some resistance from top levels of plant management and from the supervisory group,\(^{74}\) these employment managers apparently did exert influence upon labor policies and practices in the refineries. As one former Employee Relations Director (the department's title was later changed to Employee Relations) put it, the department had a marked effect upon the relations between employees and management.\(^{75}\) A refinery worker also observed that the department stabilized employment and employee relations.\(^{76}\) Specifically, the duties of this new department as described in the Joint Agreement were in the areas of selection, transfer, counseling, discipline, and discharge.\(^{77}\)

In each of these areas the supervisor's powers were accordingly reduced. The most dramatic limitations

\(^{73}\)Ibid.

\(^{74}\)Ibid.

\(^{75}\)Lackey, op. cit.

\(^{76}\)Field, op. cit.

\(^{77}\)Industrial Representation Experience of Standard Oil Company (New Jersey), April 1, 1918 to August 1, 1919, op. cit., pp. 15-16.
were in the areas of discipline and discharge. Whenever a foreman formally warned an employee that he had committed an offense for which a repetition could result in suspension or dismissal, the foreman was required to forward a copy of that notification to the Employment Department.\textsuperscript{78}

With regard to the commission of an offense included in the list of those for which an employee could be dismissed or suspended without a previous warning, foremen were required to report the case fully to the Employment Department. The Joint Agreement stated that the department, after investigation, could approve the proposed discharge or suspension, or arrange to transfer the employee, or, if the facts warranted, discharge him after securing the approval of the Superintendent of the Works.\textsuperscript{79} Thus the process of suspension or discharge became more involved and more carefully deliberated before action was taken. Additionally, the affected employee could appeal the decision through the grievance procedure which had been established in conjunction with the representation plan.

The Employment Department was soon given additional duties to perform. Training in the refineries had in pre-plan days been left in the hands of the foremen and through them to the more experienced workers in the departments. Within a year after the beginning of the representation

\textsuperscript{78}Ibid., p. 16.

\textsuperscript{79}Ibid., p. 17.
plan, the department was given the responsibility for directing training which was described as an unsystematic affair up to this time.\textsuperscript{80} Although on-the-job instruction remained as the primary technique of training, the Employment Department was charged with determining who would do the training, how training would be done, and seeing that the trainers had time to train and took the time to train.\textsuperscript{81}

Fringe benefits were greatly expanded at the time the plan was begun. The company granted retirement annuities to long service employees and accident and sickness benefits. Although the accounting department was first given the task of administering the benefits, this activity was also transferred to the Employment Department shortly after the plan began.\textsuperscript{82}

Another department which lost one of its functions to the newly created Employment Department was Engineering. Prior to the plan's existence and the Department's creation, safety in the plants was administered by one or more persons who reported to the Director of Engineering. This function was also transferred shortly after the department was established. This was a function thought to belong most properly with those who were most concerned with the personnel of the organization.\textsuperscript{83}

\textsuperscript{80}Hagen, op. cit.
\textsuperscript{81}Ibid.
\textsuperscript{82}Reymond, op. cit.
\textsuperscript{83}Ibid.
In analyzing the duties and powers of the newly created Employment Department, it is apparent that it derived many of its functions from what were formerly those of the foreman. It was given the authority to select, to supervise training, to transfer, to suspend, and with top management approval, to discharge. Thus much of what the Employment Department had gained had been lost by the foreman.

In addition, the Department had obtained tasks formerly assigned to Engineering and Accounting. Both had given up some of their personnel functions to Employment.

What were management's purposes in the creation of such a department, and how did they relate to employee representation? It must first be noted that during the early 1900's personnel departments were being established in a few companies in this country. Eilbirt has traced their beginning to two divergent forces: the introduction of Scientific Management and the existence of welfare work in many large organizations.84

Could it be assumed, therefore, that the company would have created a personnel department even if it had not established an employee representation plan? An answer to this question is speculative, but it seems reasonable to assume that one might have been created during those early years without the influence of employee representation.

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How then was the creation of the department related to employee representation at Standard Oil of New Jersey? It was earlier pointed out that the establishment of the department was a part of the same Joint Agreement which created the employee representation plan. The department was utilized as part of the appeal procedure for employees, and the Employment Manager also served as a neutral third party at the representation meetings. He acted as a source of information and advice for both sides. These functions do not, however, explain any direct influence of employee representation upon the creation of a personnel department. There is no evidence to indicate that the plan could not have functioned without a personnel department.

Although the department's formation cannot be said to have been caused by employee representation, it can be said that its formation was definitely related to the plan. The desire of the company to implement its policy of fair and consistent treatment for all employees which was set forth in the Joint Agreement appears to have motivated the creation of an Employment Department. This department was designed to insure that employees were treated impartially and in accordance with the promises made under the representation plan and other areas of the Joint Agreement.

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85Hagen, op. cit.
86Lackey, op. cit.; Confidential communication, op. cit.; Field, op. cit.
The management had created a means whereby the employees could register their complaints through their representatives when unfair conditions arose. It created the personnel department to see that conditions leading to grievances were infrequent. The plan itself had led to the need for some sort of organizational policeman to ameliorate conditions which might lead to a flooding of the upward channels of communication with complaints. Thus not only did the personnel department administer many of the benefits developed under the plan, it also gained substantial control of hiring practices, transfers, training, discipline, dismissal, and safety practices.

Management had placed restraints upon itself through the institution of the representation plan. The personnel department was the administrator of these restraints. In an analysis of such self-imposed limitations, Vollmer has pointed out that they are a "result of organization needs for coordination, specialization, and personnel regulation." He further states that "the nature of the self-restraint imposed as a result of the process of bureaucratization may be expressed most generally in the principle of equal treatment for all employees." Vollmer maintains that as an organization grows and takes on more of the characteristics

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88 Ibid., p. 18.
of bureaucracy, it must at the same time impose certain restraints upon itself in order to rationalize and humanize its personnel relations. The employee representation plan of Standard Oil of New Jersey and the creation of a personnel department appear to have been attempts to do exactly this.

**Employee Representation's Influence Upon Organization Climate**

Perhaps the most illusive factor to measure in an organization is the overall climate of feeling among employees. Although organization climate has been defined many ways, two definitions have been selected from current writings on the subject. One writer has defined the concept in the following manner:

> By climate we mean those characteristics that distinguish the organization from other organizations and that influence the behavior of people in the organization. It is in effect what we react to—the whole context of stimulation and confusion where we work.⁸⁹

A second definition stresses the importance of executive behavior upon the climate of the organization:

> Company climate is the total impact of the company's policies, executive philosophies and attitudes, decisions, history, objectives, and prevailing values and sentiments. The leadership of top executives creates the company climate. Company climates vary greatly, ranging all the way from those reflecting sound

employee relations to those inhibiting effective employee relations.90

More briefly, climate might be defined as the organization's personality, or customary way of responding to its internal and external environment.

One researcher has sought to measure this personality in terms of the following variables:

1. The effectiveness of the organization's communication system.

2. The degree of employees' participation in solving problems affecting them.

3. The way in which the organization deals with conflict.

4. The leadership style of supervisors and managerial personnel.

5. The level and trend of turnover and absenteeism in the organization.91

It is with these variables that the company's organization climate will be measured both before and after the introduction of the representation plan.

Adequacy of communication. Earlier portions of this chapter have shown that prior to the introduction of the representation plan, the communication system between management and operating workers was poor. The labor disturbances of 1915 and 1916 were greatly influenced by this


91These variables were suggested by Rensis Likert, New Patterns of Management (New York: McGraw-Hill, 1961), Chapters 1-8.
inadequacy of communication. With the creation of the plan new channels of communication were opened and were frequently used, both upward from the rank-and-file workers and downward from management. The use of these channels influenced attitudes and actions on both sides.

With regard to the importance of the free flow of information, Likert has stated that good communication is a requirement for the successful functioning of an organization. Good communication and high performance go together. A healthier organization was in part the result of the new communication channels and the stimulation necessary for their use. Again it should be emphasized that the mere existence of communication channels does not insure that they have altered the attitudes of the organization membership. Their lack of existence does, however, add to the chances that understanding will not occur.

Employee Participation. Closely related to adequate communication is employee participation in the affairs of the firm or perhaps in more accurate terms, the degree of perceived employee participation. While participation does not necessarily lead to higher morale and productivity, a number of studies have found such a relationship.  

\[92\]Lester Coch and R. P. French, "Overcoming Resistance to Change," Human Relations, I (1948), p. 512. This article is famous as one of the early explorations into the subject of participation. For more current research studies, see Richard Beckhard, "An Organizational Improvement Program in a Decentralized Organization," The Journal of Applied Behavioral Science, II (January-March, 1956),
Although numerous writers have emphasized the importance of true employee participation in decision making rather than pseudo participation used for manipulative purposes, March and Simon have pointed out that felt participation in decisions is the critical factor. "Thus actual influence over the specific decision being made is of less importance to the individual than acknowledgment of his influential position."\(^{93}\)

This approach to participation makes the task of evaluating any resulting beneficial effects much easier. From a motivational standpoint, it is thus not as important whether employees had any really significant part in the making of decisions, but instead whether they believed that they had an influence.

It has been previously indicated that the company's representation plan allowed for employee requests, grievances, and suggestions to be registered through elected employee representatives. And like most of the other representation plans of industry the final decision on most matters usually rested with management. The degree to

which employees could in reality participate in decisions was thus greatly limited by the design of the plan.\textsuperscript{94}

The criterion adopted is, however, the degree of felt participation by employees and the resultant effect upon organization climate. All eight ex-employees who were interviewed perceived a great increase in the participation of rank-and-file workers in decisions affecting them. For example, one interviewee commented that participation and involvement by employees were significant effects of the plan's installation.\textsuperscript{95} Another individual stated that after the plan was put into effect, the employees felt that they had a voice in the affairs of the company which affected them.\textsuperscript{96}

The area of job enrichment, however, was not affected by employee representation. None of the eight individuals interviewed could recall any instances of increases in planning or controlling responsibilities as a result of the representation plan. No information from company files gave any indication that job enlargement was one of the goals of the representation plan. Participation was thus limited to the operation of the plan itself.

Participation allowed for some degree of satisfaction of the higher level egoistic and self-actualization

\textsuperscript{94}See Chapter III for a more complete discussion of this topic.

\textsuperscript{95}Hagen, op. cit.

\textsuperscript{96}Hurley, op. cit.
needs and in effect helped to ameliorate the worker's demands for higher organizational position and status. Since the vast majority of refinery workers could never expect to be promoted into supervisory or other managerial positions, service in the representation plan allowed not only a measure of recognition, but also a chance to use more of the abilities which they possessed. In the first year of Standard Oil of New Jersey's plan, and observer commented on this advantage in the following manner:

... a sense of those differences in station [between workmen and management] has entered into the social unrest we have had to contend with. ... The worker has grown tired of being nothing but a worker. But something now has been found at least to soften the sharper edges of these differences in station. There is the highest value of all in this new touch of democracy in industry.97

It should be observed that this advantage to the worker has also been attributed to labor union membership. In the case of labor union membership, however, some of the employees' loyalty is the organizational price of this benefit. At least in theory, employee representation not only gave employees greater recognition through participation, but also strengthened their loyalty to the business organization. Throughout the history of the plan, Standard Oil of New Jersey's management stressed this aspect of representation. Clarence J. Hicks, the founder of the plan, was fond of referring to employer-employee relationships as collective dealing rather than collective bargaining and

97Kline, op. cit., p. 8.
of stressing the importance of the unity of interests of all those who were employed by the company. All eight of those interviewed agreed that the plan's purpose was to bring the managerial and non-managerial employees closer together and to place an emphasis upon unity of interests. It did appear to have largely achieved this goal at Standard Oil of New Jersey.

Effect upon conflict. It would be naive to assume that employee representation eliminated all conflict between management and labor. And in fact the removal of all conflict would not be regarded as a characteristic of a healthy organization. It is the way in which conflict is handled which determines its effect upon the organization. Likert has stated that bitter, unresolved conflict may damage an organization. Where conflict is dealt with openly and constructively, the organization has a much greater chance for progress.

Certainly the plan provided a means whereby employees could openly express their wishes and fears to management. Earlier discussions of the plan as a channel of communication indicated that workers felt fairly free to state their opinions. The question was asked those interviewed whether the employees or their representatives might have been afraid of reprisals for voicing complaints.

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98Clarence J. Hicks, My Life in Industrial Relations, op. cit., p. 88-89.
None of the eight individuals felt that there were any prejudicial actions taken by management as a result of employee activities under the plan. For example, one former employee stated that if management was prejudiced, it was prejudiced in favor of the dissident employee. The management was said to have taken great pains to treat such a person fairly in order that no one could say the company dealt with its critics unjustly.\footnote{Hagen, op. cit.} A non-management employee agreed with this assessment. He stated that there were no reprisals. In cases where some foreman or department head attempted such action, the employee representative of that department could and often did report it to a higher level of management. Such freedom effectively discouraged any attempt at reprisals.\footnote{Field, op. cit.}

Conflict did arise in the representation meetings. The minutes of the meetings indicate that throughout the years of the plan disagreements were not uncommon. One employee representative went on record before the top management of the company in expressing his dissatisfaction with certain aspects of the representation system. After praising the plan in general he made the following critical comments:

At one time it was considered an honor to be elected a representative to the plan; today it is taken in some departments as more of a joke. . . . The employees are granted something for which they have
asked and what happens? Some of those who have charge of the administration and interpretation of that provision surround it with every technicality that can sound to the disadvantage of the employee.101

The validity of this representative's criticisms cannot be ascertained. What is most significant is that he was willing to make such statements before members of the corporation's top management.

Although no evidence could be found which indicated if management took action to investigate the above criticism, minutes of the representation meetings indicate that it was standard procedure for any complaint which was voiced to be looked into. Solutions were sought which were satisfactory to both sides.102 It appears, therefore, that although management did not always please the workers with its decisions, it nevertheless did seek to correct what were believed to be injustices and when it did not take action, to explain why the action was not taken. Conflict was apparently more likely to be brought into the open and dealt with more constructively after the plan's introduction.

Supervisory relationships. Perhaps as much as any other factor, the supervisory force had generated bitterness and unresolved conflict prior to the plan's introduction. What


102Hagen, op. cit.
then was the effect upon supervisory-subordinate relationships of the introduction and operation of the representation plan?

We have already noted that the power of the supervisor was limited by the institution of the plan and by attendant personnel policies put into effect at the same time. As a channel of communication the plan bypassed him in both upward and downward flows. His power to hire, dismiss, and transfer was strongly limited as was his right to discipline his subordinates. He was no longer free to set his own labor policy.

The result of these limitations was an improved working relationship between the supervisor and his subordinates. Those who expressed an opinion on this subject indicated that the primary reason for initial improvements was fear on the part of the supervisor that arbitrary actions by him would result in discipline for the supervisor.

The question must be asked whether there was an underlying hostility between supervisors and their subordinates based upon the possible resentment by the supervisors

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104 Field, op. cit.; Reymond, op. cit.; Hurley, op. cit.; McAndrew, op. cit.; McGraw, op. cit.

105 Ibid.
of the loss of some of their power. Those working for the company at the time of the plan's installation indicated that there was a definite period of adjustment for a number of supervisors who resented the reduction in their authority and power.\textsuperscript{106} Resentment subsided in most cases after the plan had operated for a short while. In the Bayonne refinery a small percentage of the supervisors had to be replaced because they could not accept these new relationships with their subordinates.\textsuperscript{107}

Although an analysis of the minutes of representation meetings reveals some grievances filed by employee representatives concerning the actions of supervisors, it is impossible to determine if these were the result of supervisory hostility generated by the representation plan.

A realistic generalization appears to be that supervisor-subordinate relationships were improved, at least in terms of the reduction of the number of arbitrary actions available to the company's supervision. As the years passed, the supervisor became more competent in handling his employees effectively. Those in Employee Relations did their best to improve his skills and put more of this responsibility on him.\textsuperscript{108}

\textsuperscript{106}Ibid.
\textsuperscript{107}Field, op. cit.
\textsuperscript{108}Hagen, op. cit.
Absenteeism and turnover. Throughout the decade of the 1920's and 1930's, absenteeism and turnover rates were apparently declining. Although the relationship between representation and the level of absenteeism and turnover is difficult to determine conclusively, there, nevertheless, appears to have been a link between them.

Early records of turnover and absenteeism in the Standard of New Jersey refineries have apparently been destroyed, if in fact they ever existed in any formalized manner. Conclusions concerning the effect of the plan upon these two factors can only be tentatively drawn.

Of the eight individuals who were interviewed, all expressed the opinion that the plan was at least a factor in the gradual reduction of absenteeism and turnover in the plants. None could cite any statistics to verify this conclusion.

One individual cited the creation of the personnel department as a stabilizing factor. Pointing out that supervisors could dismiss their subordinates at will prior to the plan's existence, the interviewee stated that many arbitrary dismissals were averted after the department's creation. As discussed earlier, the personnel department was actively involved in the functions of discipline

109 Executives in the company's home office and in three of its refineries doubt that these early figures were ever a part of the firm's records.

110 Field, op. cit.
and discharge. This activity resulted in less power for the supervisor and a greater standardization of the circumstances under which an employee could be released from employment.

A note of caution must be injected regarding the causes of reduction in turnover and absenteeism. While employee representation is believed to have been a factor in their reduction, it must be noted that other variables could and probably did influence these trends. For example, at the time of the plan's installation the company unilaterally granted important economic concessions to the workers. A pension plan, wage increases, and health and welfare benefits were given to the workers by management. These concessions probably had a significant positive effect upon the reduction of absenteeism and turnover independently of the institution of the representation plan. No doubt later concessions would have continued to have some favorable effect upon absenteeism and turnover even if no representation system had been established.

Moreover, refinery employment has had a history of stability. Standard Oil of New Jersey's operations were and are characterized by long-term growth with few cyclical swings that would encourage employees to seek more stable employment.

It is therefore impossible to separate in any conclusive way these and other possible influences from the effect of employee representation. If the findings of the
other segments of this chapter are valid, one would conclude that the majority of the workers would be less prone to leave the company or to be chronically absent. Because of the plan's influence upon communication and upon the formation and operation of the personnel department, with the resultant rationalization of personnel policies, it seems reasonable to conclude that employee representation did contribute to falling levels of turnover and absenteeism. In addition, representation's impact upon the other measures of organization climate appears to have been a positive factor which influenced these two variables.

Summary. In terms of the variables being used for the measurement of organization climate, it appears that an improvement occurred after the introduction of the plan. There is no way to prove that employee representation caused this improvement. The evidence suggests, however, that the plan was an important factor in this change in organization climate.

Influence of Representation Upon the Willingness of the Working Force to Accept Unionization

Although representation appeared to be a positive factor in employer-employee relationships in Standard Oil of New Jersey, the plan was abandoned in 1937 as a company dominated union as defined by the National Labor Relations Act. The workers were, according to statements made in The Lamp, unhappy with this abandonment. A letter addressed
to the company's president signed by five refinery workers from the Bayonne, Bayway, and Eagle refineries claimed to represent the feelings of their refineries' employees and was printed in the April, 1937, issue of The Lamp. The essence of its message was contained in the following paragraph.

The position of our employees and the elected representatives is that we wish to fight to the last ditch for the continuation of our plan which has functioned so successfully for the last twenty years. . . . In our dealings with the management during the years of operation of our plan, there has always existed a very amicable relationship and we wish assurance as to its continuance.  

The eight individuals interviewed expressed similar opinions of the workers' feelings toward the discontinuance of the plan. One of those interviewed stated that the workers were upset, not really knowing which way to turn after the plan was abandoned. Another commented that there was no question that the plan was popular and that the employees were sorry to see it go. Whether all employees in reality were sorry to see the plan discontinued cannot be determined. The actions taken after its abandonment do, however, indicate that they would have preferred to keep it in force.

Soon after the plan's demise, each of the refineries formed unaffiliated plant-wide unions. In most instances

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111 "Over the President's Desk," The Lamp, XIX (April, 1937), 4.
112 Hagen, op. cit.
113 McAndrew, op. cit.
these new unions elected as their first officers the same individuals who had previously served as employee representatives. The unions were as much like the representation plan as the law would allow.\textsuperscript{114}

Thus employee representation made it both easier and more difficult to organize the work force. The workers were definitely in favor of collective action in their relationships with management. They were also on the whole apparently satisfied with their treatment by the company. They therefore wanted to maintain some form of labor organization but at the same time were not attracted by the militant spirit of the national unions of the 1930's.

Although management was officially neutral during the workers' selection of a union, they were pleased that unaffiliated unions were chosen. These unions were formed without the interference of management, and their similarity to the representation plan made management feel that good relationships would continue.\textsuperscript{115}

It is difficult to say what management's attitude toward unionization would have been had there never been a representation plan. The plan did accustom the management to dealing collectively with the workers. It also strongly influenced the formation of the independent unions which

\textsuperscript{114} Reymond, op. cit.

\textsuperscript{115} Hagen, op. cit.
were much more acceptable to management than affiliation with a national union would have been.

The extent of managerial identification with these independent unions was revealed in a chance remark made by a retired member of the company's management. In discussing a representation election in 1960 between the unaffiliated union at the Baton Rouge refinery and a Teamster's union local, he stated that, "We had a tough fight, but we won." His reference to "we" was the unaffiliated union.

The Employee Representation Plan of Standard Oil Company of New Jersey in Summary

An analysis of the plan of employee representation in Standard Oil of New Jersey has led to the conclusion that it contributed significantly to the development of personnel administration within this company. The plan influenced the development and usage of new formal channels of communication between management and the work force. Through these channels employees filed grievances and made requests for improvements in wages, hours, and working conditions. Using the channels for transmitting information to the operating employees, management explained their position on numerous matters of concern to the work force. Evidence was presented which indicated that both sides were fairly successful in influencing the attitudes and actions of the other through this communication.

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116Reymond, op. cit.
Benefits granted by management were affected by the requests of the operating employees. The impact of these requests was primarily in terms of the timing and configuration of the benefits received. Grievances were also frequently settled in favor of the workers. Management in turn influenced the attitudes of the work force by explaining their position even when they could not grant a specific grievance or request.

The formation of the company's personnel department was encouraged by the establishment of the plan. Its primary task was a standardization and rationalization of personnel policies. These policies were formerly established by each superior with resulting variations from department to department. The existing variations of personnel practices were unacceptable under the representation plan, and the personnel department was established to put an end to these variations and as a result, to help keep the promises management made through the plan.

Organization climate was improved after the introduction of the representation system. Improvements in effective communication, employee participation, the manner in which conflict was dealt with, interpersonal relationships between supervisors and their subordinates, and the level of turnover and absenteeism were all apparently positively influenced by the representation plan.

Employee attitudes toward unionization were affected by the plan. The employees were accustomed to dealing with
management on a collective basis, and when the representation plan was ruled illegal by national labor legislation, unaffiliated unions were formed in each of the company's refineries. The employees were said to have favored the unaffiliated unions because of their general satisfaction with the former representation plan and their feeling that these past relationships could best be approximated by forming unions as similar to the representation plan as the law would allow.

In analyzing the employee representation system of this company and its success, it must of course be observed that the company was and is a part of a rich and successful industry. This industry has not been faced with serious seasonal or cyclical downswings, but has instead seen steady growth in demand for its products.

Steady growth has allowed the company to be increasingly generous toward its employees and to give them greater employment security. An employee representation plan in such an environment had a greater chance of success than did one in a less stable industry with less overall growth.

On the other hand, it can be observed that employee relations were not satisfactory in the company prior to the installation of the plan. As has been previously noted, the representation plan served as the vehicle through which the advantages the company enjoyed were utilized more effectively to improve management-worker relationships.
Standard Oil of New Jersey had developed a means whereby labor peace was achieved relatively successfully. The plan it developed had a significant impact upon personnel practices in the firm, putting into effect many of the recommendations that were to be made in later years by social scientists concerned with the healthy organization.117

It is interesting to note that Robert Blake, the developer of the Managerial Grid concept,118 worked for Standard Oil of New Jersey for a number of years. During these years he developed many of the ideas which he later formalized. The company had been practicing many of the concepts which he is now teaching.119

While not a cure-all for organization problems, employee representation appears to have made a significant contribution to the development of modern-day personnel management at Standard Oil of New Jersey.

117 Previous references to Rensis Likert's New Patterns of Management provide examples of the company's progress in this area.


119 Hagen, op. cit.
CHAPTER V

AN ANALYSIS AND COMPARISON OF EIGHT PLANS OF
EMPLOYEE REPRESENTATION IN AMERICAN INDUSTRY

With a survey of eight firms which utilized employee representation, this chapter seeks to further investigate the conclusions of the previous chapter.

Again it should be emphasized that this study does not attempt statistical verification of its conclusions. It does, however, presume that by analyzing representative organizations, conclusions can be drawn concerning the contributions of representation systems.

The firms to be discussed in this chapter are: Standard Oil Company of Indiana, Armco Steel Company, Dennison Manufacturing Company, International Harvester Company, American Telephone and Telegraph Company, Bethlehem Steel Corporation, Westinghouse Electric Corporation, and Goodyear Tire and Rubber Company.

None of these organizations provided the amount of in-depth information obtained from Standard Oil Company of New Jersey. Company records on this subject were much less complete, and fewer people were available for interviews.

¹Chapter I explains the rationale for the survey of the eight firms surveyed.
in any one company. Consequently, no firm could be analyzed to the extent of Standard of New Jersey. Nevertheless, a significant volume of data was obtained from these firms which allowed a comparison between their plans and that of Standard Oil of New Jersey.

Methodology was essentially the same in this and the previous chapter. Primary reliance was placed upon personal interviews and upon information from company files. Upon occasion, data from secondary sources were also utilized.

In the selection of these eight firms, a comparison of two points of potential similarity was first made. These two areas were:

1. Employer motivations for beginning the plan.
2. The formal design of the plan.

These two areas were chosen because they indicate each company's attitude toward the proper role of employee representation. The formal design of the plan gives some evidence of the company's view of how limited employee participation should be. Similarly, employer motivations for beginning the plan suggest the intended function of the representation system.

If the plans are found to be largely similar in these respects, it can be said that they have been selected from the same universe, i.e., they can be validly compared in terms of the hypothesized areas of contributions to personnel administration. The end result should be a
verification or modification of the conclusions of the previous chapter.

Accordingly, a discussion of the two areas listed above will next be undertaken. This discussion will provide both historical information concerning the eight companies and illustrations of their plans' similarities to that of Standard Oil Company of New Jersey.

Motivations of Employers for Introducing the Plans

An investigation of the motives of employers for beginning the plans was undertaken to determine if similar forces had influenced the plans' formation. Findings centered around two employer motivations: a desire to establish closer contact between management and the hourly worker and the wish to forestall the threat of possible unionization of employees. These reasons were of course often interlocking.

In the Dennison Manufacturing Company, three reasons were given by the management for the formation in 1919 of the Dennison Employee Committee:

1. To promote harmonious relations between the company and its employees.

2. To help in the rapid solution of employee grievances.

3. To improve working conditions in the company.  

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No company would formally state that it feared unionization and was taking action to prevent it. No evidence could, however, be found which indicated that the company felt threatened by a labor union or that employee unrest existed in the firm.

Dennison's plan was said to have been started by Henry Dennison, the president of the firm, because no labor union existed which was interested in the cause of semi-skilled workers, especially if they were women. A retired employee representative stated that management wanted an effective means of direct contact with individual employees when it established the Dennison Employee Committee. This same opinion was expressed by two other retired Dennison employees.

All interviewees, then, expressed the view that management wanted a more effective means of reaching the rank-and-file employees, and none indicated that the threat of unionism was present or that there was significant labor unrest in the firm. Henry Dennison was a pioneer in many progressive causes, and this characteristic may explain his

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3 Interview with John Garvey, retired Production Manager of the company, February 27, 1970.


5 Those interviewed included: Curtis Damon, retired Superintendent, Printing Division, February 24, 1970; Charles J. Richards, retired paper cutter, March 4, 1970.
attitude toward the need for employee representation in the company.\(^6\)

In the case of Armco Steel, the company's official statement on representation also expressed concern for the need to establish closer contact between management and labor.\(^7\) Its plan was put into effect in December of 1920, approximately one year after the nation-wide steel strike called by the National Committee for Organizing the Iron and Steel Workers (AFL).\(^8\) Although no information obtained from the company or from the one interview with a managerial representative\(^9\) indicates that the strike of 1919 had any influence upon the firm in its decision to begin a representation plan, it is not unreasonable to assume that the labor unrest in the industry had some effect upon this course of action.\(^10\)

Bethlehem Steel, like Armco, was affected by the 1919 steel strike. As a result of a 1918 War Labor Board

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\(^9\)Interview with J. R. Sexton, Manager, Industrial Relations, Armco Steel General Offices, March 2, 1970.

\(^10\)Taft reports that the 1919 strike had some effect upon all the major plants in the steel industry. Taft, *op. cit.*, p. 358.
ruling, a plan of employee representation was already functioning in the firm. However, in 1919 a strike committee headed by William Z. Foster, a union organizer, attempted to negotiate with the company's management. The company declined to bargain, and the strike did not result in a walkout of any significant number of men.

Bethlehem continued its representation plan after the war with some structural modifications. The company's stated purpose was to grant employees a voice in the determination of working conditions and to establish a means through which grievances could be processed. A retired employee agreed that these were the two major purposes of the plan. One other employee who had experience with the company's plan agreed with this view.

Like Bethlehem Steel, International Harvester's stated objectives in installing its plan were to provide an effective means of contact between employees and the

11 Bethlehem Steel Corporation, Special Conference Committee, Bethlehem Plan of Employee Representation (Bethlehem, Pa.: Bethlehem Steel Corporation, April 29, 1929), p. 3.

12 Ibid., pp. 4-5. Taft reports that the strike collapsed in every steel firm by January of 1920. Taft, op. cit., pp. 358-359.

13 Bethlehem Steel Corporation, Representation of Employees in Plants of the Bethlehem Steel Corporation (Bethlehem, Pa.: Bethlehem Steel Corporation, October, 1920), p. 3.

management and to allow the employees a voice in matters affecting them. In this instance, however, there was apparently no pressure upon the company for unionization. A retired hourly employee stated that during the time of the plan's formation there was no real union movement among the company's employees.\textsuperscript{15} One other retired employee of International Harvester was interviewed. He too was unaware of any threat of unionization at the time of the plan's formation.\textsuperscript{16}

In the case of Westinghouse, an attempt at unionization led to the establishment of a representation plan. A strike was called in 1914 but was unsuccessful, and management decided to form a representation plan before more disruptions occurred. The plan's stated purpose was to establish effective communication between the hourly paid workers and top management.\textsuperscript{17}

Although there was not direct threat of unionization at the time of the introduction of Standard Oil of Indiana's plan in 1919, the company's official history notes that "post war readjustments and the serious industrial unrest

\textsuperscript{15} Confidential communication with a retired machine operator of the firm, February 3, 1970.

\textsuperscript{16} Confidential communication with a retired product inspector, February 10, 1970.

\textsuperscript{17} Confidential communication with a retired member of the company's personnel department, March 2, 1970; Interview with Harry Hillman, retired Director, Wage and Salary and Employee Benefits Administration, March 5, 1970; Interview with Harold W. Arlin, retired Manager, Industrial Relations, March 5, 1970.
throughout the world rendered more imperative than ever the adoption of the plan suggested.\(^\text{18}\) Such a statement seems relevant to all companies whose plans began during this period. A retired non-management employee of the company agreed that the company was reacting to the possibility of future union organization.\(^\text{19}\)

The other two firms surveyed also stated their reasons for their plans' adoption in terms of the need for more contact between the top and bottom levels of the organization. Goodyear's statement was simply that the plan was intended to maintain communication and good relations between the company and its employees.\(^\text{20}\)

The current personnel manager of the company's Akron plants pointed out that in 1910, Goodyear employed 2,500 people in Akron. By 1919 this number had grown to 20,000. Because of the company's rapid growth management had lost effective contact with its employees and thus instituted the representation plan to aid in the reestablishment of this contact.\(^\text{21}\)


\(^{19}\)Confidential communication with a retired stillman and later personnel clerk, February 12, 1970. This was the only interview obtained from Standard Oil of Indiana personnel.

\(^{20}\)"Industrial Representation Plan," *The Wingfoot Clan*, 1919, p. 3.

\(^{21}\)Interview with K. L. Reynolds, Personnel Manager, Akron Plants, March 12, 1970.
American Telephone and Telegraph's plan was similarly designed "to provide regular facilities for the exchange of views and suggestions between [employees] and the Management and thus to secure a spirit of mutual cooperation and confidence."\textsuperscript{22} A current member of management agreed that the plan was designed primarily as a means of better communication between the hourly employees and management. He could recall no immediate threat of unionization to the company at the time of the plan's institution in 1919.\textsuperscript{23}

In summary, the plans of the eight companies surveyed appear to have been inaugurated by similar managerial motivations. Management in every instance recognized at least in formal policy statements that an improvement in the quantity and quality of communication was a necessary prerequisite to the elimination of employee grievances and the consideration of employee requests. It was also necessary before management had any hope of getting its point of view across to the rank-and-file worker.

In four of the eight companies surveyed, the fear of unionism was discovered to be a direct influence upon


\textsuperscript{23}Confidential communication with an Assistant Vice President of American Telephone and Telegraph Company, March 2, 1970. This was the only interview obtained from American Telephone and Telegraph personnel.
the formation of the plans. Apparently, the danger of union organization and labor unrest made these companies aware of their lack of success in dealing with the employees prior to their plan's installation.

Although the other four firms in the survey did not experience a direct threat of unionization, they were nevertheless a part of the social and economic environment of the time. Chapter II has indicated that four factors in this environment encouraged employee representation immediately after World War I. These factors included labor unrest in the country and employers' fear of unionism, the significant amount of publicity given representation plans after the war, the demonstrated effectiveness of employee representation in improving efficiency in wartime operations, and a general concern of society for more democracy in industry.

It seems reasonable that these factors had some effect upon the eight firms in making them aware of the need to correct deficiencies in employer-employee relations. The plans were, as in the case of Standard Oil of New Jersey, designed to correct these weaknesses. Thus in terms of employer motivations for beginning the plans, all eight basically were similar in nature to Standard Oil of New Jersey.
Patterns of Plan Design

Although Chapter III extensively analyzed the make-up of the plans, a brief comparison of their characteristics will be made. The purpose of this comparison is to determine the degree of similarity of the design of these eight plans to that of Standard Oil of New Jersey.

Because Chapter III has discussed these characteristics in detail, only a summary is provided at this point. Table III allows each of the plans to be compared in terms of previously discussed aspects of plan design.

A study of the table indicates a great similarity among formal aspects of the plans. In terms of the roles intended for both management and non-management employees, all eight plans and that of Standard Oil of New Jersey were essentially alike.

Rationale for Comparison

Because of the basic similarities of the eight plans to the Standard Oil of New Jersey system, it appears reasonable to compare each of them to this company in terms of the hypothesized contributions of employee representation. As mentioned previously, the attempt will be made to verify or modify the conclusions of the previous chapter.

The great similarities of these eight plans and the plan of Standard Oil of New Jersey also leads to the conclusion that they were typical of representation systems of the 1920's and 1930's. Conclusions drawn from the
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</table>

| Method of Selecting Employee Representatives | Elected by employee secret ballot | Elected by employee secret ballot | Elected by employee secret ballot | Elected by employee secret ballot | Elected by employee secret ballot |
| Method of Selecting Management Representatives | Appointed by management | Appointed by management | Appointed by management | Appointed by management | Appointed by management |

<table>
<thead>
<tr>
<th>Structure of Representation System</th>
<th>Advisory only Committee</th>
<th>Joint Committee</th>
<th>Advisory only Committee</th>
<th>Joint Committee</th>
<th>Joint Committee</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Financing Arrangements</th>
<th>Financed entirely by the company</th>
<th>Financed entirely by the company</th>
<th>Financed entirely by the company</th>
<th>Financed entirely by the company</th>
<th>Financed entirely by the company</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Provisions for Plan Amendment</th>
<th>No formal amendment procedure</th>
<th>Two-thirds Majority of Both Sides</th>
<th>No formal amendment procedure</th>
<th>Simple Majority of Both Sides</th>
<th>Two-thirds Majority of Both Sides</th>
</tr>
</thead>
</table>
analysis of these plans and from secondary sources can therefore be generalized to employee representation in American industry.

The Plans and Downward Communication Channels

As in the previous chapter, a discussion of the plan's effects upon communication channels will be undertaken. First, it should be stated that the mere existence and usage of such channels offers no assurance of greater empathy of either side toward the other. However, the absence of available means of transmitting messages from one organizational level to another leaves little chance of understanding and support. Channels of communication are prerequisites for an appreciation of the points of view of others. This discussion shall therefore begin with an analysis of the plan's creation of downward channels and their frequency of usage. Then the effects of these factors will be analyzed.

In an earlier portion of this chapter, it was noted that all eight of the firms surveyed sensed their lack of success in getting the company's message across to the working force. Like Standard Oil of New Jersey, an administrative gap had arisen between top management and the operating employees.

Each of the eight companies was investigated to determine the reasons for such a gap. In all eight of the companies surveyed, those who had knowledge of this problem
agreed in substance as to its causes. Three primary factors were isolated. The absence of a clearly stated labor policy by the company was identified as a determining factor. The operating employees had no real knowledge of what top management expected from them nor of what was thought of their performance.

To fill this administrative vacuum created by top management's lack of direction, the supervisor largely set his own labor policies. He did not in every department behave arbitrarily, but his relative autonomy allowed him to do so if he wished. Thus labor policy varied from department to department depending on the knowledge and wisdom of the individual supervisor.

Moreover, the supervisors in these companies were not effectively urged by top management to communicate with their subordinates concerning the reasons for a course of action. Many supervisors followed the rather blunt approach of "do as I say or get out." Of course even if a supervisor wished to explain the reasons behind top management's decisions, he was often powerless to do so since he too was usually provided with only the decision in its final form.

\[
\text{24} \text{Garvey, op. cit.}
\]

\[
\text{25} \text{The following individuals provided the above information concerning the ineffectiveness of downward communication in the eight organizations: John Garvey, Dennison Manufacturing Company, op. cit.; W. L. Trumbauer, Bethlehem Steel, op. cit.; Confidential communication,}
\]
As in the case of Standard Oil of New Jersey, the causes of the absence of downward communication were therefore:

1. Little or no attempt by top management to reach the work force.

2. Little consistency in the labor policy of the firm as interpreted by the first line supervisor.

3. Little encouragement by top management for the supervisor to explain the reasons for either his own or his superior's actions.

It is not surprising that the operative employee had little understanding of why management chose a certain course of action. It is also not surprising that he would often interpret these actions as arbitrary whether or not they were intended as such.

The eight companies' responses to this problem were essentially the same as that of Standard Oil of New Jersey. They established an alternate channel of communication to the chain of command in the form of an employee representation plan. Although the command channel might have been strengthened in order to improve communications, these companies, like Standard Oil of New Jersey, chose to bypass it in favor of direct contact between top management and

American Telephone and Telegraph, op. cit.; Confidential communication, Standard Oil of Indiana, op. cit.; Confidential communications with two individuals, International Harvester, op. cit.; J. R. Sexton, Armco Steel, op. cit.; Harry A. Hillman, Harold A. Arlin, Confidential communication, Westinghouse, op. cit.; K. L. Reynolds, Confidential communication, Goodyear, op. cit.
representatives of the workers. Also it appears that because of their lack of knowledge concerning effective communication techniques, these firms chose to experiment with representation as a means of drawing the production employees closer to top management. In so doing, the supervisor was largely bypassed in the process.

Two new downward channels were created by the representation plans. The first of these were the periodic meetings between management and employee representatives. Representatives were exposed to management's points of view and then in turn explained these views to their constituents. In addition, all eight of the firms published the minutes of the representation meetings and either posted them in prominent places or distributed copies of them to each employee. A second method for reaching the rank-and-file employee was therefore developed as the result of employee representation's introduction.

Although the existence of communication channels are a prerequisite for their usage, their existence tells nothing about the quantity of communication passing through the channels. None of the companies surveyed were lacking

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26 Employee suggestion systems and opinion polls may be cited as modern-day examples of bypassing in business organizations.

27 Goodyear distributed copies of the minutes to management and employee representatives. Employees were free to request to see these copies. Each representative was also free to pass his copy among his constituents.
in the desire and willingness to explain their viewpoints to the rank-and-file employees. In each instance, the companies utilized the representation meetings as a means of presenting official company positions to the workers' representatives. This was a major objective of the plans. The frequency of meetings varied among the firms, but they averaged once every two months with subcommittees meeting more often. Special meetings of the full committee could be called at any time. Thus management did have the opportunity to present its viewpoints on various subjects and was quite willing to do so.

More crucial, however, than the creation of downward communication channels and management's willingness to use them was the effect of these messages upon the thinking of the work force. This effect will be explored in later sections of this chapter dealing with the topics of economic benefits received under the plans, the effectiveness of employee grievance processing, and the effect of the plans upon organizational climate.

It should be concluded that while the formation of new downward communication channels did not insure that workers would understand management's position, their opening did form the precondition for this understanding. Equally important was management's understanding of the labor force's wishes.
The Plans and Upward Communication

Prior to the adoption of the representation plans employee attempts to voice grievances and make requests in the eight firms were largely ineffective. In the Dennison Manufacturing Company those interviewed agreed that management had no real understanding of workers' wishes and desires prior to representation.\(^{28}\) There was little chance for the workers to reach top management through the chain of command. The supervisor controlled the information that was passed to higher management and thus had the opportunity to screen out information with which he did not agree. Nor was the supervisor in any effective way encouraged to listen to the complaints of his subordinates and to counsel with them. Therefore there was no effective appeal procedure available to the hourly employee.\(^{29}\)

Those interviewed in the other seven companies expressed similar points of view. Because it would be excessively tedious to quote those interviewed in each company, it will be said that all who had knowledge of these early years agreed with varying degrees of emphasis that the operative employee had little chance to effectively make his feelings known to top management.\(^{30}\)

\(^{28}\)Garvey, op. cit.; Curtis, op. cit.; Damon, op. cit.; Richards, op. cit.

\(^{29}\)Garvey, op. cit.

\(^{30}\)Information on this topic was provided by those individuals cited in footnote 25.
With the introduction of the representation plans, a new channel of upward communication was opened. Again, the mere presence of the channel was insufficient to guarantee its effectiveness. Its existence did, however, give employees the chance to influence top management, and this was a chance which they had not had before, except through such action as a strike or other work disruption. In each of the companies surveyed the employees could appeal the actions of their superior and make requests and suggestions through their employee representatives.

Grievance processing in five of the eight firms was similar to Standard Oil of New Jersey. The aggrieved employee was required to attempt to resolve the question with his supervisor, often in the presence of the departmental employee representative. Failing to resolve the question here, the plea would be taken to one or more organizational levels above the supervisor. Then if no resolution occurred, the matter was brought before the management and employee representatives at their next meeting. A majority vote here settled the issue. If a tie vote resulted, the president of the firm made the final decision in the matter.

In this method of grievance processing, the organizational chain of command, including the supervisor, was

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31 These five firms were: Standard Oil of Indiana; Dennison Manufacturing Company; Goodyear; Bethlehem Steel; International Harvester.
involved. The representation committee was brought into the matter only when line supervision was unable to successfully settle the matter. It should also be pointed out that the formal establishment of grievance processing was the result of the formation of the representation plans. The fact that an employee could take his case to the representation committee if he was not satisfied with management's actions increased the likelihood that management would conscientiously process the employee complaint.

In only one company did the representation committee enter the grievance process on a formal basis immediately. American Telephone and Telegraph's plan provided for the filing of a grievance with the Executive Committee, a subcommittee of the full representation body. These committee-men, composed of non-management employees, had the right to accept or reject a grievance. If they felt the grievance was just, they would discuss the matter with the employee's superior and attempt to arrive at a settlement. Either they or the aggrieved employee could appeal the decision to the entire representation body which would then vote on the matter. Again the decision could be appealed to the top level of the organization.\(^{32}\)

In the Westinghouse and Armco plans, the representatives had no formal administrative or legislative power.

Their function was for informational purposes. Thus there was no formal procedure for bringing an issue before the committees and no formal vote on the worthiness of a grievance. These plans did not require that an employee who was dissatisfied with an action of his superior first take up the matter with that superior. Instead, he could immediately issue a complaint to his departmental representative for presentation to management. Management then took whatever action it thought appropriate.\textsuperscript{33}

In all eight plans a means of reaching management for the purpose of filing grievances was obtained. Five of the eight plans made the chain of command a part of the grievance processing procedure.

As with the filing of grievances, the plan provided employees with an opportunity to make requests and suggestions to management. In all eight of the companies employees were allowed to raise questions in such areas as wages, hours, and working conditions. Their representatives brought these issues before the entire committee of workers and management at their regular meetings.

The representation plan thus established a method through which rank-and-file employees could be heard by management. While the effectiveness of this channel is not

\textsuperscript{33}Armco Steel Company, Armco Advisory Committees, \textit{op. cit.}, pp. 1-2; Confidential communication, Westinghouse, \textit{op. cit.}; Hillman, \textit{op. cit.}; Arlin, \textit{op. cit.}
evaluated here, its creation did allow the potential for fuller and freer upward communication in the firm.

Representation's Influence Upon Economic Benefits and Grievance Processing

The effectiveness of the upward channel can be measured in part by the influence it had upon management's economic decisions. Equally important was the ability of management to persuade workers of the wisdom of not granting a specific benefit.

Since no records of the representation meetings were available in any of the firms surveyed, analysis of these influences was limited largely to the opinions of those who were interviewed. Upon occasion, information was also obtained from company records.

In all of the firms surveyed, those interviewed expressed the belief that the representation plan had some effect on the granting of benefits by management. It is interesting to note that out of a total of twelve individuals who had an opinion of this subject, nine believed that the majority of these benefits would have eventually been granted by management even if a representation plan

\[34\] The respondent from American Telephone and Telegraph believed that this effect was very slight and that benefits were almost exclusively decided upon by management alone.
had not existed. Emphasis was placed upon the timing of the granting of a particular benefit and the configuration of the benefit package. Both of these factors were important to those workers affected by such changes.

In the Dennison Manufacturing Company the opinion of a retired production manager was that benefits would have been granted but "only as the labor market dictated." A former division superintendent stated that the plan gave management a chance to find out what the workers wanted rather than simply supplying benefits which might or might not be foremost in their minds. The problem of layoffs was, for example, reported to have greatly concerned a large percentage of the Dennison employees during the 1920's. In 1928 the employee representatives succeeded in persuading management to put aside a fund of one hundred thousand dollars for payment of benefits to those workers on layoff. The fund was, however, exhausted in the depression year of 1930.

These individuals were: Confidential communication, Westinghouse, op. cit.; Hillman, op. cit.; Confidential communication, Goodyear, op. cit.; Reynolds, op. cit.; Garvey, op. cit.; Damon, op. cit.; Confidential communication, International Harvester, op. cit.; Confidential communication, International Harvester, op. cit.; Confidential communication, American Telephone and Telegraph, op. cit.

Garvey, op. cit.

Damon, op. cit.

Ibid.
In the case of Westinghouse, a retired management member stated that the plan resulted in management's granting some wage and hour improvements sooner than they otherwise would. This was believed to be the result of management's better understanding of what the working force wanted in terms of economic benefits.\textsuperscript{39} The company's former director of wage and salary benefits felt that although Westinghouse would have maintained a position of leadership in the area of compensation and working conditions, the representation plan had some effect upon the overall composition of the economic package. Wage rate changes for various occupational groups were cited as being most influenced by the plan.\textsuperscript{40}

A second measurement of the effectiveness of upward communication was the success which employees had in registering individual grievances with management. With regard to grievance processing, fifteen of the sixteen interviewed agreed that management had for the first time an effective method by which they could hear the complaints of the hourly employees.\textsuperscript{41} None of the eight firms had had a grievance procedure prior to the establishment of their representation plans. The same individuals expressed

\textsuperscript{39}Confidential communication, Westinghouse, \textit{op. cit.}

\textsuperscript{40}Arlin, \textit{op. cit.}

\textsuperscript{41}Only the respondent from American Telephone and Telegraph felt that his company's plan had no meaningful effect upon the settling of grievances.
their belief that the plan resulted in a significant number of employee grievances being affirmed by management.\textsuperscript{42}

Published data concerning economic concessions and grievance processing during these years was largely unavailable in the eight firms surveyed. Moreover, when such data were available, they were presented as if all benefits obtained were the result of employee requests made through the representation plans. Experience with the Standard Oil of New Jersey plan and the comments of those in the eight companies surveyed indicate that such claims for economic concessions were unrealistic. Nevertheless, a sample of the topics discussed and their disposition offers some clue as to the influence of employees and their representatives upon the benefits granted and grievances upheld under employee representation.

Table IV is a listing of the issues dealt with under employee representation at the Bethlehem Steel Corporation's plant from October, 1918, to June, 1933. It appears from a study of this chart that approximately two-thirds of the issues raised in the representation meetings were decided in favor of the employees. Missing in this presentation is the percentage of these requests which were individual grievances. Such information is not available.

Table V provides a partial record of the activities of Standard Oil of Indiana's representation committee,

\textsuperscript{42}\textit{Ibid.}
### TABLE IV

ISSUES RAISED AND RESOLVED UNDER BETHLEHEM STEEL'S PLAN OF EMPLOYEE REPRESENTATION,
OCTOBER, 1918, TO JUNE, 1933

<table>
<thead>
<tr>
<th>Subject</th>
<th>In Employees' Favor</th>
<th>In Company's Favor</th>
<th>Withdrawn</th>
<th>Compromise</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment and working conditions</td>
<td>809</td>
<td>225</td>
<td>87</td>
<td>184</td>
<td>1,305</td>
</tr>
<tr>
<td>Wages, piecework, and hours</td>
<td>515</td>
<td>303</td>
<td>77</td>
<td>251</td>
<td>1,146</td>
</tr>
<tr>
<td>Safety and prevention of accidents</td>
<td>775</td>
<td>49</td>
<td>38</td>
<td>74</td>
<td>936</td>
</tr>
<tr>
<td>Practice, methods, and economy</td>
<td>344</td>
<td>53</td>
<td>32</td>
<td>55</td>
<td>484</td>
</tr>
<tr>
<td>Health and works sanitation</td>
<td>346</td>
<td>23</td>
<td>36</td>
<td>48</td>
<td>453</td>
</tr>
<tr>
<td>Employees transportation</td>
<td>305</td>
<td>56</td>
<td>34</td>
<td>36</td>
<td>431</td>
</tr>
<tr>
<td>Pensions and relief</td>
<td>464</td>
<td>77</td>
<td>21</td>
<td>39</td>
<td>601</td>
</tr>
<tr>
<td>Housing, domestic economies, and living conditions</td>
<td>165</td>
<td>35</td>
<td>17</td>
<td>32</td>
<td>249</td>
</tr>
<tr>
<td>Education and publications</td>
<td>27</td>
<td>3</td>
<td>9</td>
<td>8</td>
<td>47</td>
</tr>
<tr>
<td>Athletics and recreation</td>
<td>37</td>
<td>4</td>
<td>9</td>
<td>5</td>
<td>55</td>
</tr>
<tr>
<td>Rules, ways and means</td>
<td>87</td>
<td>15</td>
<td>14</td>
<td>25</td>
<td>141</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>58</td>
<td>6</td>
<td>1</td>
<td>5</td>
<td>70</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,902</strong></td>
<td><strong>849</strong></td>
<td><strong>375</strong></td>
<td><strong>762</strong></td>
<td><strong>5,918</strong></td>
</tr>
</tbody>
</table>

called the Joint General Committee. Of the issues dealt with from 1919 through 1928, 87.2 percent were approved in full or in part by the committee.

In the Dennison Manufacturing Company a discussion of the accomplishments of the Works Committee was published for the year 1920. The following gains were cited by the committee for that year:

1. Institution of an employee profit sharing plan.
2. The establishment of an unemployment fund for company employees.
3. The establishment of a housing fund from which employees could borrow money at a low rate of interest.
4. A general increase in wages.
5. Longer wash-up time for employees.
6. Approval of a plan of physical examinations for new employees.
7. Improvement in physical surroundings for workers.
8. Improvement in lunchroom equipment and in food and drinks served. 43

No mention was made of grievance processing during the year 1920.

These examples indicate that regardless of the source of the suggestions, employee gains were realized under the representation plans. Relating these examples to the statements of those interviewed results in the conclusion

### TABLE V

TOPICS DEALT WITH UNDER THE EMPLOYEE REPRESENTATION PLAN OF STANDARD OIL OF INDIANA, 1919 THROUGH 1928

<table>
<thead>
<tr>
<th>Subject</th>
<th>Number of Cases Dealt With</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>621</td>
</tr>
<tr>
<td>Working Conditions</td>
<td>524</td>
</tr>
<tr>
<td>Conciliation</td>
<td>208</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,393</strong></td>
</tr>
</tbody>
</table>

Source: Stanolind Record, August, 1928, pp. 26-27.
that management granted a number of benefits through the representation plan, some of which were influenced by the requests of employees and their representatives. Grievances were apparently often decided in favor of the employees.

Equally important in this evaluation is the extent to which management was able to persuade the workers of the wisdom of company actions, especially in those instances when the company chose not to grant a specific request or affirm an employee's grievance.

Evidence of management's success in this area can only be of an indirect nature. Those interviewed were asked if the plan in their firm increased the working force's knowledge and appreciation of management's problems and points of view. Fifteen of the sixteen persons interviewed answered this question in the affirmative. Employees were exposed to the company's problems and its viewpoints and were often persuaded that its position on a matter was correct.

One amusing incident at Goodyear involves an example of the company's desire to persuade its worker representatives that a request for a wage increase was inappropriate at that time. The firm's factory manager, Paul Litchfield, appeared before the assembly of worker and management.

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44 The respondent from American Telephone and Telegraph doubted that his company's plan increased understanding in any significant way.

45 Richards, op. cit.
representatives to explain the company's position with regard to a wage increase. For illustrative purposes, Litchfield used a set of charts and graphs which showed the relationship between the current cost of living and wages being paid by the firm. The line which represented wages terminated at a slightly higher point than the line representing cost of living. At the conclusion of the presentation, one employee representative stood up and reportedly said, "Mr. Litchfield, that was a great speech—but the only thing I can figure out from it is that we came within one-half inch of getting a raise." The employee representatives were said to have accepted the company's reasoning for denying the request.

This example and the previous statements are not intended to imply that the employee representatives and the working force were in every case convinced of management's wisdom. Those interviewed nevertheless did believe that employees better understood management's point of view as a result of the representation meetings even when they did not agree with it.

A second indication of management's persuasiveness was the volume of strike activity during the plan's operation. While other forces had an influence upon the

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employees' willingness to strike, the employees' satisfaction with their economic situation nevertheless influenced their willingness to walk off the job.

In only two of the companies surveyed did a strike ever take place during the life of the representation plans. Although the absence of a strike does not prove that employees were in every way content with their economic situation, it does indicate that they were not so dissatisfied that they were willing to walk off the job. Table VI presents strike activity nationally during the period from 1920 to 1938.

The employees' feelings toward the abandonment of representation offers a third measure of the plans' success. Employee attitudes in this area were the product of many forces, only two of which were economic conditions and grievance processing within their firms. Nevertheless, strong dissatisfaction with compensation policies and grievance procedures should have been reflected in a desire to see the representation plans replaced or in some way changed.

Only two of those interviewed felt that the majority of employees in their firms were glad to see the plans

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47 As mentioned previously, employee representation plans had no independent treasury, nor were they affiliated with any regional or national associations.

48 These firms were Bethlehem Steel and Goodyear. The circumstances of these strikes will be discussed in following paragraphs.
<table>
<thead>
<tr>
<th>Year</th>
<th>Total Stoppages</th>
<th>Percent of Employed Wage Earners</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938</td>
<td>2772</td>
<td>2.8</td>
</tr>
<tr>
<td>1937</td>
<td>4740</td>
<td>7.2</td>
</tr>
<tr>
<td>1936</td>
<td>2172</td>
<td>3.1</td>
</tr>
<tr>
<td>1935</td>
<td>2014</td>
<td>5.2</td>
</tr>
<tr>
<td>1934</td>
<td>1856</td>
<td>7.2</td>
</tr>
<tr>
<td>1933</td>
<td>1695</td>
<td>6.3</td>
</tr>
<tr>
<td>1932</td>
<td>841</td>
<td>1.8</td>
</tr>
<tr>
<td>1931</td>
<td>810</td>
<td>1.6</td>
</tr>
<tr>
<td>1930</td>
<td>637</td>
<td>0.8</td>
</tr>
<tr>
<td>1929</td>
<td>921</td>
<td>1.2</td>
</tr>
<tr>
<td>1928</td>
<td>604</td>
<td>1.3</td>
</tr>
<tr>
<td>1927</td>
<td>707</td>
<td>1.4</td>
</tr>
<tr>
<td>1926</td>
<td>1035</td>
<td>N.A.*</td>
</tr>
<tr>
<td>1925</td>
<td>1301</td>
<td>N.A.</td>
</tr>
<tr>
<td>1924</td>
<td>1249</td>
<td>N.A.</td>
</tr>
<tr>
<td>1923</td>
<td>1553</td>
<td>N.A.</td>
</tr>
<tr>
<td>1922</td>
<td>1112</td>
<td>N.A.</td>
</tr>
<tr>
<td>1921</td>
<td>2385</td>
<td>N.A.</td>
</tr>
<tr>
<td>1920</td>
<td>3411</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

*N.A. = Not Available
The respondent from American Telephone and Telegraph and one interviewee from Westinghouse expressed these feelings. All others believed that the plans had general employee support until the time of their dissolution.

A verification of these opinions could ideally be made by presenting the results of an election contest between each company's representation plan and one or more outside labor unions. Unfortunately, no such election was held in any of the eight companies surveyed. Whether these companies would have permitted such a contest is a subject for speculation. The National Labor Relations Board did not, however, order such an election in any one of these firms. The Board viewed the representation plans as company dominated labor organizations and therefore not eligible for employee consideration.

Other evidence does offer some support to the majority opinion of the interviewees. In three of the firms, independent unions were formed after the representation plans were abandoned. These unions were as similar to the plans as the law would allow. The employees of these companies chose to deal with management without affiliation with a national union.

\[49\] Confidential communication, American Telephone and Telegraph, op. cit.; Hillman, op. cit.; Confidential communication with a Standard Oil of Indiana employee revealed no opinion on this subject.

\[50\] These firms were: Standard Oil of Indiana, Armco Steel; Dennison Manufacturing Company.
Two companies did experience strikes during the organizing drives of the 1930's. In February of 1936 Goodyear was struck by the United Rubber Workers of America in an attempt to gain union recognition. Newspaper accounts estimated that twenty percent of the company's workers participated actively in the strike. The five-week walkout was unsuccessful, and the striking workers were reinstated without prejudice. The company's representation plan continued until April of 1937 when the constitutionality of the National Labor Relations Act was upheld by the Supreme Court. The plan was then abandoned, and the company was organized by the United Rubber Workers.

A strike called by the Steel Worker's Organizing Committee occurred at the Bethlehem Steel Company in 1936. The company's management reportedly would not negotiate with the union because of its lack of backing by the employees of the firm. The firm reported in 1936 that 96.1 percent of the eligible employees participated in elections of employee representatives. Although this election was not conducted between the representation plan


53 Taft, op. cit., pp. 519-520.

54 "96.1% Vote in Employees Elections," Bethlehem Review, July 3, 1936, p. 2.
and an outside union, the employees could have registered dissatisfaction with the plan by not voting. The vast majority obviously did not choose to do this.

From the above three areas of investigation it seems reasonable to conclude that the managements of seven of the eight firms enjoyed some measure of success in convincing the workers that the companies' decisions were in the best interests of both the firm and the employees. There is no substantial evidence that would point to a contrary conclusion.

**Employee Representation and the Companies' Personnel Departments**

It may be recalled from the previous chapter that with the introduction of Standard Oil of New Jersey's representation plan, the company's personnel department was also established. A similar situation was found to be true in two of the eight firms surveyed.\(^{55}\)

At Standard Oil of Indiana the department was viewed as the vehicle through which the objectives of the representation plan were to be achieved.\(^{56}\) This new Department of Industrial Relations was made responsible for the operation of the representation plan and for insuring that all employees would be treated justly. At each plant

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\(^{55}\)These firms were Standard Oil of Indiana and International Harvester.

\(^{56}\)Giddens, *op. cit.*, p. 337.
an Assistant Director of Industrial Relations was appointed and was directly accountable to the Director of Industrial Relations. Duties performed by the department included employment, safety, health and welfare, workmen's compensation, statistics, and publication. 57

Standard Oil of Indiana's Director of Industrial Relations acted as neither a representative of labor nor management at the representation meetings, but instead was moderator of the meeting, seeking to aid in the compromise of disputes and to provide factual information for decision making when either side requested it. 58

Many of the duties of the new department were taken from the supervisors in each of the plants. Selection had previously been in the hands of the supervisor. After the department absorbed this function, the supervisor retained only the right to accept or reject an applicant selected by those in Industrial Relations. 59

Similarly, his right to discipline and discharge was reduced by the representation plan's formation with these powers given to the Industrial Relations Department. A list of offenses for which an employee might be suspended or discharged without further notice was published. For

57 Ibid.
58 Confidential communication, Standard Oil of Indiana, op. cit.
59 Ibid.
any other offense, an employee could not be suspended or discharged without a clear warning and a repetition of the violation. If an employee felt that he had been disciplined unfairly by his supervisor, he had the formal right to appeal to first his departmental superintendent and then to the Assistant Director of Industrial Relations.  

The personnel department did not take a significantly active role in the representation meetings, and the plan could have functioned without the department's existence. But as in the case of Standard Oil of New Jersey, the Industrial Relations Director and his assistants in each of the plants were appointed to see that the promises made under the representation plan were kept. Now that a formal grievance procedure existed, it was up to those in the personnel department to see that the need for grievance processing was infrequent. Thus while employee representation did not require the existence of a personnel department, it definitely was a major reason for its formation in Standard Oil of Indiana.

The International Harvester experience was similar to that of Standard Oil of Indiana. Upon the adoption of the representation plan, a new Department of Industrial Relations was formed. The department was "charged with the duty of giving special attention to all matters

\[60\text{Giddens, op. cit., p. 339.}\]
pertaining to labor policies and the well-being of employees."\(^{61}\) Again the department was given some of the duties which supervisors had previously performed. Selection of personnel subject to supervisory approval, transfer of employees, and discipline and discharge were significant duties of this new department.\(^{62}\) As was the case in Standard Oil of Indiana the personnel manager was one of the steps in the grievance procedure. Thus an employee who felt he had been unjustly disciplined could appeal to higher levels of management, one of the steps in this appeal procedure being the personnel manager.

The personnel department in this firm was apparently formed for reasons similar to those in Standard Oil of Indiana and Standard Oil of New Jersey. While employee representation could have no doubt functioned without the department, it was nevertheless formed to rationalize and stabilize personnel policies so that the promises made under the plan could more readily be carried out.

While the personnel departments of both Standard Oil of Indiana and International Harvester might have been formed without the existence of employee representation, the plans encouraged their formation by emphasizing the need for standardized and rational labor policies.


\(^{62}\) Confidential communication, International Harvester, op. cit.
Unlike the above two firms, the other six companies surveyed already had personnel departments at the time of their plans' formation. In each of these firms, the personnel department was involved in the functioning of the representation system.

In Goodyear the company's Labor Department was formed in 1912, six years before the Industrial Council was begun. With the initiation of the representation plan the Labor Department's duties were increased and its stature was said to have grown throughout the company. Specifically, its new duties included the administration of benefits obtained through the plan, the processing of employee grievances under the plan's grievance procedure, and the appointment of the department's head as the presiding officer over the representation meetings. The department was functioning in the area of employee selection even before the plan's existence. Its duties in the area of discipline and discharge were, however, increased due to its role in the grievance procedure. The department in essence had to approve a disciplinary action or a discharge if a grievance on these matters was filed.

In the Dennison Manufacturing Company, the personnel department had been in existence since 1917. The primary

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63 Reynolds, op. cit.
64 Ibid.
65 Ibid.
impact upon the department was again in the area of grievance handling. The personnel department was the first step in the grievance procedure beyond the supervisor, and departmental representatives were given the task of investigating each grievance, collecting information, and making a decision as to whether the grievance would be denied or upheld.\textsuperscript{66} Prior to the existence of the representation plan the supervisor had almost complete autonomy in the areas of discipline and discharge.\textsuperscript{67}

Similar responses were obtained from representatives of three of the other firms which were surveyed. Although in none of these firms did the representation plan result in the formation of a personnel department, the companies' plans increased the duties of the department and added to its organizational importance.\textsuperscript{68} The increase of duties centered around such areas as the administration of benefits obtained through the plan, grievance handling, and presiding over the representation meetings.\textsuperscript{69} Only in the case of American Telephone and Telegraph was the plan thought to have had no significant influence upon the functioning of the personnel department. The principal

\textsuperscript{66}Garvey, \textit{op. cit.}  
\textsuperscript{67}Curtis, \textit{op. cit.}  
\textsuperscript{68}Hillman, \textit{op. cit.;} Arlin, \textit{op. cit.;} Confidential communication, Westinghouse, \textit{op. cit.;} Trumbauer, Bethlehem Steel, \textit{op. cit.;} Sexton, Armco Steel, \textit{op. cit.}  
\textsuperscript{69}Ibid.
impact on this company was said to be only increased clerical work and record keeping.\textsuperscript{70}

In summary, it appears that representation had a significant effect upon the personnel departments of seven of the eight companies surveyed. In two of these firms the departments were formed at the time the representation plan began. In these two firms the personnel departments were apparently formed to fulfill the promises made under the representation plan. A large portion of these promises involved the stabilization of the companies' labor policies and thus the intention to treat employees fairly and equally. Through their activities in selection, transfer, discipline and discharge, health and safety, and benefit administration the departments were significant contributors to the accomplishment of the representation plans' objectives.

In the other six firms, personnel departments were in existence prior to the beginning of their employee representation plans. In five of these six companies the plans resulted in a significant elaboration of duties of these departments. These duties again centered around the need for a greater standardization and rationalization of personnel policies. In one of the firms no significant effect upon the personnel department's duties was found.

\textsuperscript{70}Confidential communication, American Telephone and Telegraph, \textit{op. cit.}
Employee Representation's Impact Upon Organization Climate

The concept of organization climate was defined in some detail in Chapter IV. In brief, the term can be described as the organization's personality, or customary way of responding to its internal and external environment.

As in the previous chapter, climate will be measured in terms of the variables developed by Rensis Likert. These include: effectiveness of the organization's communication system; degree of employees' participation in solving organizational problems affecting them; the way in which the organization deals with conflict; leadership style of supervisors and managerial personnel; and the level and trend of turnover and absenteeism in the organization.

Communication systems. It was noted previously that prior to representation, the effectiveness of vertical communication channels within the eight firms was rather slight. The eight organizations were lacking both in terms of the availability of adequate channels and the effective use of those channels.

The institution of employee representation did provide a new means of contact between the hourly employees and top management. The volume of communication in both directions was great. It was also previously pointed out that both sides apparently did influence the other's attitudes. Both the wisdom of management's decisions and
the legitimacy of workers' demands were more readily acknowledged after the plan was in operation. This effect was the real test of the significance of the channels. In only one firm was there no important impact in this area. Thus, seven of these eight firms were favorably influenced through the development of more effective communication systems.

**Employee participation.** Closely related to effective communication in the organization is the degree to which employees participated in the decision making processes of their firms. While participation and high productivity are not necessarily in a cause and effect relationship to one another, participation has been found to favorably effect productivity in a number of research studies.

Without question, the previous discussion demonstrates that the hourly employees had a much greater voice in decision making than existed prior to the representation plans' creation. It should be remembered, however, that the degree to which employees could participate in decisions affecting them was significantly affected by the formal design of the plans. In every one of the eight plans the companies limited employee involvement in decision making to the making of suggestions and requests.

71 Confidential communication, American Telephone and Telegraph Company, *op. cit.*
In none of the plans were the employees allowed any decision making autonomy.

Even though employee participation was limited by the design of the plans, worker influence upon management was nevertheless much greater than in pre-plan days. In terms of both economic gains and grievance processing, management's actions were affected by the workers and their representatives.

In none of the companies surveyed did the representation plans lead to any enrichment of hourly employees' jobs. No increases in planning or controlling responsibilities was reported. Employee participation under representation was thus limited to influencing economic benefits and to securing impartial treatment for the rank-and-file worker.

Interviews and company records do not reveal that either operating employees or management ever considered representation as a possible starting point for increasing planning and controlling responsibilities of rank-and-file employees. An unrealized potential for representation thus appears to have existed in this area. The plans could have provided a base for this sort of participation had they been so utilized.

Conflict resolution. While the operating employees did obtain a degree of participation in certain decisions and while greater identification with the company resulted,
interviews indicate that conflict did in fact still exist within these organizations. And as was pointed out in the previous chapter, a healthy organization is one in which conflict is present. It is the way in which an organization deals with conflict that determines whether it is functional or dysfunctional to organization climate. Likert has stated that open conflict which is resolved can be an asset to an organization while bitter, unresolved conflict can be damaging.  \(^{72}\)

Certainly the plans provided a means by which employees could make known those complaints and requests which they felt should be voiced. Previous discussion of the use of these channels indicated that the employees felt free to use them and apparently did so quite frequently. Prior to the representation plans there was no effective way for employees to reach management in the eight companies surveyed.

Each interviewee was asked if employees felt free to raise any question without fear of management displeasure or retaliation. In every instance the reply was in the affirmative. Differences of opinion were also said to be common features of the representation meetings. No instances of reprisals were reported by either management or non-management personnel. As was indicated in Chapter III, the companies were apparently very sensitive to the

\(^{72}\)Likert, \textit{op. cit.}, p. 117.
possibility of charges of employer domination, and did therefore take great care not to penalize individuals for statements made in the representation meetings.

It appears that while management and employee representatives did not always agree upon an issue, the meetings did allow and encourage a free exchange of views upon subjects considered. While management had the power to settle any issue in its own favor, the many instances of rulings favorable to employees indicate that initial grievances and requests resulted in gains for the workers. Even in instances in which management ruled against the employees, each side had a chance to listen and to understand the other's point of view. This situation was certainly preferable to the pre-plan relationships.

Supervisory leadership style. One of the factors contributing to unresolved conflict in the days before the representation plans was the relationship between the supervisor and his subordinates. In every company surveyed, many instances of inept supervision were reported with regard to treatment of subordinates. Of course not all supervisors were thought to be unqualified in this

[73]Those who commented on this topic included: Hillman, op. cit.; Arlin, op. cit.; Confidential communication, Westinghouse, op. cit.; Garvey, op. cit.; Damon, op. cit.; Richards, op. cit.; Confidential communication, International Harvester, op. cit.; Confidential communication, American Telephone and Telegraph, op. cit.; Sexton, op. cit.; Confidential communication, Goodyear Tire and Rubber Company, op. cit.; Trumbauer, op. cit.; Confidential communication, Standard Oil of Indiana, op. cit.
area, but there were enough such instances to make them fairly common.

For example, at Dennison Manufacturing Company supervisory willingness to treat employees fairly and consistently was found to vary greatly from department to department. Often, the attitude taken by the supervisor was reported to have been, "Do as I say or get out."74

With the institution of the representation plan, the powers of the supervisor in Dennison and in other companies were significantly limited. Earlier discussion pointed out that the contacts made under the representation plan largely bypassed the supervisor. Only in the grievance procedure of six of the eight firms was he included a formal step. He did not normally take part in the proceedings of the representation meetings.

In addition to employees' ability to reach higher levels of management without the supervisors' approval, the plans also provided for a greater rationalization and standardization of personnel policies. As a result of the representation plans, personnel departments were created in two of the eight firms, and in five of the remaining six firms their duties were significantly enlarged. In each case the new duties of the personnel department were taken at least in part from the supervisor. The supervisor's power to hire, fire, and transfer was typically

74 Garvey, op. cit.
reduced, and his right to discipline indiscriminately was limited by the grievance procedure.

While these limitations were imposed without the supervisors' consent, the results in most instances were improved supervisory-subordinate relationships. In six of the eight firms those interviewed commented on this topic. In five of these six firms those who were interviewed indicated that relationships between the supervisors and their subordinates generally improved after the plans were introduced.

The management of these five firms apparently made it quite clear to the supervisors that the new regulations developed as a result of the plan were company policy and that they would be carried out. For example, in Dennison Manufacturing Company the supervisors attended a series of instructional meetings conducted by the company at the time of the plan's introduction. If they did not comply with company policy in this area, they were told that they would not remain in their supervisory positions.

In the Bethlehem Steel Company a similar situation existed. The supervisory work force was clearly instructed

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75 J. R. Sexton of Armco Steel and the respondent from Standard Oil of Indiana had no knowledge of this subject.

76 The respondent from American Telephone and Telegraph saw no significant improvement in this area.

77 Curtis, op. cit.
by management that the new personnel policies established
by the company were to be followed and that the supervisor
could expect disciplinary action if he chose not to do so.78

Although supervisors were required to carry out the
new policies under threat of discipline from higher levels
of management, those interviewed in the five firms expressed
the opinion that the majority of the supervisors accepted
the changes without any noticeable hostility toward
superiors or subordinates. Some supervisors did find it
difficult to adjust to the new relationships, but for the
most part the transition was seen as relatively trouble
free.

As an example of this transition, the supervisory
force at Westinghouse was reported to have accepted the
new relationship without a great deal of difficulty.79
Certain supervisors resented the restrictions upon their
freedom of action, but these individuals were forced to
adjust or give up their positions.80 The supervisors'  
ability to deal effectively with subordinates improved as
the years passed due to their greater adjustment to the
limitations upon their powers and to the effectiveness of
supervisory training programs.81

78Trumbauer, op. cit.
79Confidential communication, Westinghouse, op. cit.
80Hillman, op. cit.
81Confidential communication, Westinghouse, op. cit.
The data collected in five of the eight companies point, therefore, to the conclusion that supervisor-subordinate relationships improved with the introduction and operation of the representation plans. In one firm there was apparently no effect, and in two others no conclusions could be drawn.

Turnover and absenteeism. A final measure of organization climate was the effect of the plans upon absenteeism and turnover in the eight companies. In none of these firms were records available for absenteeism and turnover during the years of the representation plans' existence. Consequently, reliance was placed upon personal interviews to determine any influence by the plans in these areas.

None of those interviewed believed that there was a relationship between turnover and absenteeism and employee representation. In three of the firms the respondents indicated no knowledge of any influence of the plans in these areas.82 Those interviewed from the other five companies expressed serious doubts that any relationship existed.

Summary. It appears that in terms of four of the five variables used to measure organization climate, all but one of the firms registered some gains after the introduction of employee representation. The information does

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82 These firms were: Armco, Standard Oil of Indiana, Goodyear.
not prove that representation caused the improvements. There are, however, strong indications that the plans encouraged these better working relationships.

**Representation's Influence Upon Unionization**

Although employees in seven of the eight firms surveyed were generally satisfied with the workings of their representation systems, federal law resulted in their disestablishment in 1937 or within a few years thereafter. The question here is whether representation had any effect on employees' attitudes toward eventual unionization. Again, primary reliance was placed upon personal interviews to determine the effect of the plans in this area.

In two of the firms those interviewed saw no relationship between employees' attitudes toward unionization and the previous operation of the representation plans. In each of the other six some effect was noted.

In three of these six firms, the employees formed unaffiliated or independent unions. Their motivations were said to be the desire to belong to an organization as much like their former representation plans as the law would allow.

At Standard Oil of Indiana, the employees were said to be disappointed at the removal of their representation plan. During the spring and summer of 1937, the

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83 These firms were Bethlehem Steel and International Harvester.
employees of the company's six refineries organized unaffiliated unions. Although the International Oil Field, Gas Well, and Refinery Workers of America, CIO, tried to organize the company's refinery workers during this period, they were unsuccessful in any of the six plants.\footnote{84 \textit{Confidential communication, Standard Oil of Indiana,\textit{ op. cit.}; Giddings, \textit{op. cit.}, p. 568.}}

In the Armco Steel Company, a similar situation existed. Although the Steel Workers' Organizing Committee, which later became the United Steel Workers' Union, attempted to organize the company's employees in 1937, the workers rejected them in favor of unaffiliated unions in each of the Armco plants.\footnote{85 Sexton, \textit{op. cit.}}

This company was the only major steel producing firm which was not organized by the S.W.O.C. The lack of success at Armco was attributed to the highest wage rates and most generous fringe benefits in the industry coupled with an entirely satisfactory communication system between management and the working force.\footnote{86 \textit{Ibid.} The company could not supply information concerning wages and benefits during this period.}

No national union attempted to organize the Dennison Manufacturing Company during this period. The employees were reported to have maintained their former

\footnote{84 Confidential communication, Standard Oil of Indiana,\textit{ op. cit.}; Giddings, \textit{op. cit.}, p. 568.}

\footnote{85 Sexton, \textit{op. cit.}}

\footnote{86 \textit{Ibid.} The company could not supply information concerning wages and benefits during this period.}
relationships with management by operating an independent union. This organization still exists in the firm today.87

Three firms which affiliated with national unions were reported to have been influenced in this action by their former representation plans. American Telephone and Telegraph employees were said to be so disappointed with their plan's operation that they welcomed the chance to join a union.88 Accordingly, after the plan was disbanded in 1940 the employees affiliated with the National Federation of Telephone Workers. This union changed its name in 1947 to the Communication Workers of America. The company's long-lines employees are presently a part of this union which is a member of the AFL-CIO.89

Westinghouse employees were also thought to be more receptive to union organization during the late 1930's, not because of the failure of their representation plan, but because they had become accustomed to dealing with management on a collective basis.90 A number of the elected

87Garvey, op. cit.; Curtis, op. cit.; Damon, op. cit.; Richards, op. cit. The Firm's union was in 1969 ruled by the National Labor Relations Board to be a company-dominated union under the provisions of the Labor Management Relations Act. The Board's decision was upheld by the U.S. Court of Appeals. See NLRB v. Dennison Manufacturing Company, et al., No. 7304 CA 1 (December 10, 1969), 72 LRRM 2972 (1969).

88Ericson, op. cit.


90Confidential communication, Westinghouse, op. cit.
representatives were said to have been the nucleus of union organizing efforts with the result that these former employee representatives became union officers after unionization occurred. The employees affiliated with the United Electrical and Radio Workers of America in 1938.

In the Goodyear Tire and Rubber Company a similar experience took place. The employees had voted in 1935 to maintain their representation plan in favor of any outside labor organization. Nevertheless, when the plan was disbanded in 1937, the employees affiliated with the United Rubber Workers shortly thereafter. The company's Industrial Assembly plan was believed to be a definite factor in influencing the workers toward dealing with management on a collective basis. Again, many of the former employee representatives became local union officers after affiliation with the national union. The past experience they had in dealing with management was valuable in the negotiating process which followed.

In summary, the employees of six of the eight firms surveyed were believed to be influenced in their attitudes toward unionization by their experiences under

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91 Hillman, op. cit.
92 Taft, op. cit., p. 526.
93 Allen, op. cit., p. 347.
94 Ibid.
95 Sexton, op. cit.
employee representation. In three of these companies the employees organized unaffiliated unions which were similar to their former representation plans. The employees of the three other firms joined national unions. In one of these firms the employees were so dissatisfied with their representation plan, they gladly affiliated with a labor organization. The employees of the remaining two companies were not anxious to see their plans dissolved. They were, however, accustomed to dealing with management on a collective basis, and this was believed to have increased their willingness to affiliate with some sort of labor organization.

The Representation Plans of the Eight Firms in Summary

An analysis of eight plans of employee representation has revealed a number of significant contributions to the development of personnel management in this country. While findings in each of these companies were not entirely uniform, they do point out that representation plans generally were helpful to both the employees and the management of the companies involved. In only one of the companies was a largely negative impression found.

Representation plans were found to open new channels of communication between workers and management and to encourage their usage. Some changes in the attitudes of both sides resulted from the usage of these channels. Both economic gains and the favorable disposition
of grievances were also granted to employees through the plans.

The personnel departments of seven of these firms were in some cases created by the plans and in other instances enlarged in importance. In every instance a greater standardization of personnel policies and practices resulted from management's intention to make good the promises of the plans.

Organization climate was also found to improve through greater and more candid communication among management and the workers, through greater employee participation, through the opportunity to resolve conflict more effectively, and through more effective supervisor-subordinate relationships.

Employees in six of the eight firms were influenced in their attitudes toward unionization as a result of their experiences with employee representation. In three of the six companies unaffiliated unions were formed which paralleled the former representation plans but which met the requirements of national labor legislation. In the other three firms the employees joined national unions. Their previous experiences with their firms' representation plans were factors leading to this affiliation.

A comparison of these findings with those of the previous chapter largely verifies the conclusions concerning Standard Oil of New Jersey's employee representation
plan. While the Standard of New Jersey plan was in many ways a part of an ideal working relationship, the major areas of contribution found to exist there were for the most part found to exist in the plans surveyed in this chapter.

It seems reasonable to conclude that employee representation in American industry did make significant contributions to the development of more effective management-worker relationships in many of the companies in which it was utilized. Variations in effectiveness among firms no doubt existed. This variation was illustrated in the limited sample of eight companies analyzed in this chapter. Nevertheless, the plans were a significant step away from the authoritarian methods of management which predominated at the turn of the twentieth century. They can correctly be viewed as a part of the movement in this century toward more efficient techniques of managing the human resources of the enterprise.
CHAPTER VI

SUMMARY AND CONCLUSIONS

Employee representation was a phenomenon which existed for approximately two decades in this country—from 1919 until 1937. History remembers representation as a means by which employers sought to discourage unionism among employees, but little else has been written about this form of collective relationship. While there is no question that the fear of unionism motivated the establishment of many of these plans, such an explanation is incomplete.

It has been the basic hypothesis of this study that employee representation made a number of contributions to the improvement of management-employee relations within companies in which it was used. These contributions have never been extensively explored with a resultant gap in our existing knowledge of labor-management history. This study was undertaken to fill this gap in historical research.

Summary of Results

Although results were not uniform in each of the nine firms surveyed, a number of findings were consistent from company to company. These results will be dealt with in terms of each of the areas of investigation.
Communication channels. The plans' effects upon the establishment and usage of communication channels between management and operating personnel were first examined. In every one of the nine companies studied, the creation of a representation plan resulted in a new communication channel between top management and the rank-and-file employees of the firm. Through the medium of the plan, top management had the opportunity to present their point of view to the employees on a wide variety of topics and vice versa.

Management was in each of the nine firms quite willing to utilize the new channel in an attempt to both inform and persuade the employees of the wisdom of the company's action. In no case was there a paucity of information generated by management.

Through their elected representatives employees were equally willing to communicate with management on matters of individual grievances and on demands for improvements in wages, hours, and working conditions. The companies surveyed had for the first time given their operating employees a means to reach top and middle levels of management without first obtaining the approval of the first line supervisor. Evidence suggests that the working force of these firms were for the most part eager to communicate with management and readily did so.

While the existence and frequent usage of the new form of contact between the operating employees and managerial personnel did not in itself insure that benefits would
accrue to either side, the lack of such contact in the past virtually guaranteed that some misunderstandings would occur. The availability of an effective means of contact was thus a necessary but not a sufficient condition for improving management-worker relations in these firms. The effectiveness of these points of contact was measured in other portions of the investigation.

Economic benefits and grievances. The influence of employees upon the economic benefits obtained from management and upon grievance processing was a significant measure of the impact which the plan had upon overall working relationships. Equally important was management's ability to persuade the work force of the wisdom of its decisions when a request or grievance was denied. This topic was therefore explored in detail.

In all but one of the nine firms surveyed the employees and their elected representatives were found to have influenced the disposition of economic benefits. Although the managements of these companies often granted a benefit unilaterally and then gave the plans the credit for obtaining it, the available evidence indicates that the representatives influenced the timing and composition of changes in the benefit package.

Employees were quite willing to use the grievance procedure which was created by the plans. Especially in the early years of the plans' existence, there were a large
number of individual requests and complaints. Published data indicated that these grievances were frequently decided in favor of the employees. The majority of those interviewed agreed with this observation.

Management in eight of the nine firms was generally effective in persuading the employees of the wisdom of decisions which denied a request or grievance. Certainly, there were disagreements between the two sides, and not all of these disputes were resolved to the satisfaction of all concerned. However, when compared to the relationships in pre-plan days, the companies were much more successful after the introduction of employee representation in obtaining employee support for their decisions.

**Personnel department formation.** The effect of the plans upon the formation or expansion of the companies' personnel departments was found to be significant in eight of the nine companies in the study. In three of these eight firms the personnel department was formed at the time that the representation plans were introduced. In the other five firms the duties of the department were significantly enlarged. In each instance there was a recognition of the need to standardize and rationalize the companies' personnel policies, many of which had previously been individually determined by departmental supervisors.

The firms had committed themselves to fair and equal treatment of employees through representation.
The personnel departments were given the duty of seeing that the promises made under the plan were kept. Thus while the nature of employee representation did not require a personnel department, it definitely caused the creation or encouraged the expansion of such a department in the firms studied. Duties were commonly assigned to the personnel department in the areas of selection and placement, transfer, discipline and discharge, benefit administration, and grievance processing.

Organization climate. Although the organization climate within any firm is illusive and difficult to measure, an attempt was made to do this in each of the nine firms. A number of variables were selected which were believed to adequately reflect the state of an organization's health. These variables included:

1. The effectiveness of the organization's communication system.

2. The extent of the employees' participation in solving problems which affected them.

3. The way in which the organization dealt with conflict.

4. Leadership styles of supervisory personnel.

5. The level and trend of turnover and absenteeism in the organization.

Each of these variables was investigated before and after the introduction of the representation plan.

The measurement of these factors resulted in the following improvements after employee representation was introduced:
1. Communication improved both in quantity and effectiveness in eight of the nine firms.

2. Employees in eight of the companies were allowed to participate to a limited extent in a number of economic decisions affecting them.

3. Conflict was dealt with more openly and more constructively in eight of the organizations.

4. In five of the nine firms supervisor-subordinate relationships improved.

5. In one company a reduction in turnover and absenteeism was linked to the operation of the plan.

While the information obtained does not prove conclusively that representation was the cause of these changes, there are strong indications that at least a partial causal relationship did exist.

Unionization. The effect of the plans upon eventual unionization in the nine firms was mixed. In four of the firms, independent or unaffiliated unions were formed. The employees of these companies were found to have been satisfied with their representation plans and thus formed unions which were as much like them as the National Labor Relations Act would allow.¹ Union officers in these firms were

¹These firms included: Standard Oil Company of New Jersey; Standard Oil Company of Indiana; Armco Steel Company; Dennison Manufacturing Company (a paper products producer). These four firms have maintained their independent unions to the present time. Their industries, however, are largely organized by national unions. The percent of the workers in each industry organized by national unions follows: Oil, 78%; Steel, 83%; Paper products, 100% (est.). United States Department of Labor, Bureau of Labor Statistics, Directory of National and International Labor Unions in the United States (Washington, D.C.: U.S. Government Printing Office, 1967), p. 84.
typically former employee representatives. In the other five firms in the survey, the employees affiliated with national unions. Although general worker satisfaction with the plans appeared to exist in all but one of these companies, they nevertheless aligned with national unions as their plans were declared illegal and as union organizing drives picked up momentum in the late 1930's.

In every company surveyed both management and operative employees agreed that the experience they had had under employee representation made the transition to a unionized relationship less traumatic. In each firm it had become the custom for management to deal with the employees on a collective basis. Bargaining and contract administration were therefore not entirely foreign to either side.

Conclusions of the Study

The historical importance of employee representation rests largely in the motivational insights and experience which developed from its usage. It has been noted throughout this study that after World War I many companies realized the need for an improvement in their personnel policies. Employee representation offered a possible vehicle for this improvement while at the same time discouraging the organization of the firm's employees by a labor union. These were the basic motivations for establishing the plans.
It appears that in most instances these firms were not quite sure where representation would lead them in terms of their relationships with their working force. The plans were thus experiments during the time when personnel management and motivation theory were in their infancy.

In a period in which employees were viewed by many as primarily economic men who responded almost exclusively to monetary incentives, the ideas behind representation were indeed radical. To say that employees had the right to help determine the conditions under which they would work and the wages which they would earn was considered heresy by many businessmen of the early 1900's.

Employee representation thus was a move away from the traditional autocratic management of the times toward a more democratic and humanistic orientation. In more specific terms the plans did allow the worker a greater chance to move up the needs hierarchy that Abraham Maslow was to write about in later years. Satisfaction of economic, social, status, and self-actualization needs of employees were more fully achieved under representation than in the pre-plan period.

The workers did in many companies induce management to make concessions in the areas of wages, hours, and working conditions. While it has been observed that management had the strongest hand in the determination of these benefits, employees nevertheless had some influence. The physiological and security needs which Maslow was to
cite as the most basic for man were thus more adequately satisfied after the introduction and operation of representation.

The plans further sought to achieve a greater unity of interests and identification with management among the work force. Changes in organization climate after the introduction of the plans suggest that this goal was largely accomplished in the majority of the firms studied.

Likert has suggested that the most effective work team is one in which there is a high level of group cohesiveness and identification with the formal organization's goals. Representation appears to have been a significant factor in accomplishing this identification. While labor unions work for cohesiveness among their membership, they do not encourage identification with management and the firm.

Further, representation did allow the worker a chance to satisfy to some extent his egoistic need for status and recognition. While the plans did not and could not result in promotions for the working force, they did add to the satisfaction of the need for status in two ways. First, they allowed a number of rank-and-file employees to hold leadership positions in the representation plans and thus satisfy in part their need for recognition. Although holding such a position added nothing to their pay checks,

employees who were not upwardly mobile obtained a measure of importance that they otherwise would not have possessed.

More broadly, every employee working under a well-administered plan had some chance for individual recognition through his right to contact management representatives with his requests and grievances. While this right offered only limited satisfaction of the egoistic need, it was nevertheless a gain over pre-plan days.

Through the performance of their duties, the employee representatives were often given the chance to utilize more fully the abilities they possessed. To a limited extent the self-actualization needs of these individuals were also satisfied as a result of employee representation.

Thus from a historical viewpoint it can be observed that employee representation provided a step forward in the satisfaction of a number of psychological needs of the worker long before their significance was widely understood by most members of management. Perhaps unknowingly, the firms which had experimented successfully with representation were a part of the human relations movement which Elton Mayo popularized in the 1930's and 1940's. They were thus pioneers in the utilization of new and more effective means of dealing with employees.
Implications of the Study

Beyond the historical significance of the study, what implications does this research have for current-day management-worker relations? Regardless of the success of many of these early plans, they cannot be utilized in their original form today. These representation systems were classified as company dominated labor organizations by the National Labor Relations Act of 1935 and were declared illegal. As explained earlier, this was the reason for their abandonment in the late 1930's and early 1940's. Any contributions which the findings concerning representation can make to current labor-management relations cannot therefore be in the form of revived representation plans. The lessons learned through representation can, however, be of value to today's management.

A prerequisite to the satisfaction of employee demands is the need for effective contact between management and the employees. The lesson learned by a number of firms over fifty years ago was that if employees cannot get management's attention through formalized methods, they will utilize other means such as strikes and unionization.

A parallel of this situation can be drawn with the white collar and professional workers of today. The growing militance of these employees poses new problems for management and offers opportunities for union leaders. Both in private industry and government service, these
employees have grown increasingly restive and more sympathetic to the appeals of unions. 3

To fully analyze the problems of professional and white collar workers is beyond the scope of this study. Remedies for these problems are therefore also beyond its scope. Nevertheless, some suggestions for strengthening the traditional ties between management and these employee groups can be made by drawing upon the lessons of representation. These suggestions will center around the improvement of communication methods in the organization.

Without the necessity of a formal representation plan or of a union, management might establish a formal appeal channel for any employee or group of employees in the firm. This channel could be used to process grievances and for the direction of requests and suggestions to upper levels of management. Far from being a duplicate of the rather unsuccessful open-door policy of the past, this technique could be established as a path outside the formal chain of command with succeeding appeal steps culminating with consideration of the question by the president.


While an arrangement such as this could certainly fail, its primary chance of success would rest upon the exercise of good faith on both sides. As was the case with employee representation, each group would have the opportunity to better understand the other, and problems would have a greater chance of being resolved in their early stages.

Such a non-union appeal system is not an entirely new idea. It has been successfully used in a few companies for some time. Nevertheless, there are relatively few firms that are not unionized which use such systems. The assumption is often made that the formal chain of command is sufficient to pass information upward to top management. This is often not the case. Whether done intentionally or not, screening of information can and often does occur before it reaches the top levels of the organization. Especially with regard to problems of motivation and morale, top management may not know that a problem exists until after it has become serious.

Beyond the advantage of giving management an early warning system for employee discontent, such a channel of communication could also be used to allow the employees to

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participate in the solution of problems raised by both sides. Especially among professional employees who typically have some latitude in the way their job is performed, there is a strong desire to participate in decisions which affect them and their work. Hence, an opportunity to participate with management in solving problems which affect the work force logically should aid the white-collar and professional employee in the satisfaction of his higher level needs through greater participation and identification with the organization.

Although the above remarks concerning the need for better understanding between current-day management and employees could have been stated without an investigation of employee representation, the study nevertheless provides useful verification. Investigation of the surveyed firms demonstrated that effective contact did a great deal to improve understanding and promote labor peace.

A Final Note

The above observations apply with equal force to the non-private sector of our economy. Within the past few years unrest among government employees has been growing. In the first few months of 1970 the nation witnessed the first postal strike in this country's history. The strike has been attributed in part to the inability of rank-and-file workers to effectively register their
grievances with the Post Office Department and with Congress. ⁶

Disruptions in many of our major universities also point to the need for effective appeal channels. Our country's labor history has shown clearly that when subordinates have no method for registering complaints and requests with their organization's top management, they will often resort to disruptive behavior.

The creation of the means of contact is, of course, only the first step, whether in industry, government service, or in the university. Its success will depend upon the willingness of both sides to use it effectively to promote their mutual interests.

BIBLIOGRAPHY
BIBLIOGRAPHY

A. PRIMARY SOURCES

1. INTERVIEWS

Harold W. Arlin joined Westinghouse in 1917 as a Works Engineer in the Mansfield, Ohio plant. He became a supervisor in 1923 and held various posts in management throughout his career. He retired as Manager of Industrial Relations at the Mansfield Plant in 1961. Arlin served as a management representative throughout the life of the Westinghouse representation plan.

John H. Curtis was employed by Dennison Manufacturing Company in 1921. He worked in a number of departments doing skilled and semiskilled work. He retired in 1961 as a photo engraver. He served for twelve years as an employee representative on the Dennison Employee Committee.

Curtis Damon was hired by Dennison Manufacturing Company in 1922 as a research chemist. He became a member of management in 1926 when he was appointed foreman of the Gummed Paper Department. During his career he served in a number of management posts, retiring in 1963 as superintendent of the Printing Division.

E. W. Engerer joined Bethlehem Steel Company in 1922 as a piece work clerk. In 1929 he was named to the post of Compensation Supervisor. He retired in 1963, having served in various management positions during his career.

Harry D. Field was employed by Standard Oil Company of New Jersey in 1917. He held a variety of jobs in the Bayonne, New Jersey, plant, spending the majority of his career as a mechanical tradesman. He retired from the company in 1960.

John Garvey was employed as a personnel assistant by Dennison Manufacturing Company in 1919. He later became personnel director for the firm. At his retirement in 1957 he was the company's production manager. Garvey was active in Dennison's representation plan throughout its existence.
Milton C. Hagen went to work for Standard Oil Company of New Jersey in 1929 in the Bayonne, New Jersey, plant. He served as the plant's training director from 1929 to 1934. He then became its personnel director from 1934 to 1940. After serving in World War II, he joined Industrial Relations Counselors with whom he is employed today. During his years as personnel director, he was actively involved in the company's representation plan.

Harry A. Hillman joined Westinghouse Electric Corporation in Pittsburgh in 1923 as an electrical engineer. He later became a member of the company's accounting department, and was named as the director of payroll accounting in 1941. In 1953 he became the director of the company's wage and salary benefits program, retiring in 1961.

Clement A. Hurley was hired by Standard Oil Company of New Jersey as a messenger boy in 1921 at the Bayonne plant. He became a member of the Mechanical Department, spending most of his years with the company as a carpenter. He retired in 1959. He served for three years as an employee representative from his department.

Richard Lackey was employed by Standard Oil Company of New Jersey in 1921. He served in a number of management positions in the Bayway, New Jersey, refinery. During the operation of the plan, his position was that of secretary or assistant to the plant manager.

Willard G. McAndrew became a Standard Oil of New Jersey employee in 1910, when he was hired as a water boy in the Baton Rouge refinery. He became a member of the lubricating department and served as its first employee representative from 1919 until 1921. He later became a member of supervision, serving in a number of departments until his retirement in 1960.

L. M. McGraw joined Standard Oil of New Jersey's Baton Rouge refinery in 1923. He was employed in the packaging and shipping department where he remained until his retirement in 1965. During his career he was president of the refinery's independent union for two years.

William Reymond was employed in the Baton Rouge refinery of Standard Oil of New Jersey in 1919 as an engineer. He became a member of its personnel department in 1932 where he served until his retirement in 1961. At his retirement he was the refinery's personnel director.
K. L. Reynolds currently holds the position of personnel manager for Goodyear Tire and Rubber Company's Akron plants. He joined Goodyear in 1927 as a member of the company's personnel department, serving as moderator of the representation meetings during the plan's existence.

Charles J. Richards became an employee of Dennison Manufacturing in 1920. He held positions in a number of departments, retiring in 1961 as a paper cutter. For seventeen years he served as an employee representative on Dennison's employee committee.

J. R. Sexton is presently the industrial relations manager of Armco Steel's Middletown, Ohio, plant. He joined the company in 1941 as an industrial engineer, later moving into supervisory positions before becoming a member of the Industrial relations staff.

Walter L. Trumbauer was employed by Bethlehem Steel Company in 1910 as an apprentice in the die making trade. He later became a supervisor in the company's metalurgical department. He retired in 1961 as the company's training and safety director.

2. COMPANY RECORDS


B. SECONDARY SOURCES

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APPENDIXES
Gentlemen:

I am beginning research for a doctoral dissertation in business administration at Louisiana State University. My proposed topic is in the area of management history, specifically relating to the employee representation plans that were popular in many firms in the 1920's and 1930's.

In a survey of the existing literature on the subject I have found your company's name mentioned several times. I am wondering if information concerning such factors as the motivation for the beginning of the plan, its method of operation, and reasons for its discontinuance are still in your files and if I might obtain copies of this material. I will be happy to pay the copying cost if this material is available. I would also like the names of present or retired employees who had experience with the plan so that I could interview them on this subject.

The purpose of this dissertation is to shed more light on what I believe to be an important contribution to employer-employee relations in our country. If your company is able and willing to be a part of this research, I would appreciate hearing from you. Thank you very much.

Sincerely,

C. Ray Gullett
APPENDIX B
QUESTIONNAIRE CONCERNING EMPLOYEE REPRESENTATION

1. Position(s) held in the company during the time of the operation of the plan.

2. Were you a representative of either management or the workers on one of the shop committees of the company at any time during the operation of employee representation?
   A. Position held.
   B. Length of time held.
   C. Duties performed.

3. What, in your opinion, were the primary motivations of management for installing the plan?
4. The following questions involve the functioning of the plan in terms of its formal design.

A. What was the procedure for electing employee representatives?

B. What was the procedure for choosing management representatives?

C. What was the procedure for raising issues to be discussed?

D. Did either or both sides (management and worker representatives) have the right to meet separately in addition to joint meetings? If not, why not?
E. How frequently were meetings held?

F. How were issues raised at the meetings resolved (majority vote, for example)?

G. How many representatives did each side select?

H. How was an unresolved question decided?
   (1) Appeal to top management.
   (2) Impartial arbitrator.
   (3) Other individuals.

I. How much formal legislative power did the management-worker committee have?
   (1) Resolution of questions without referring them to top management (assuming worker and management representatives agreed.)
   (2) Resolutions subject to top management approval.
   (3) No legislative power; purely informational in order to acquaint each side with the other's views.
   (4) Other relationship.

J. How did employees become members of the representation plan?
   (1) Automatic membership.
   (2) Could decide to either join or not become a member.

K. Were there any membership dues?
L. Was the plan financed by the employer, the employees, or some sharing arrangement?

M. Did the employees have the right to strike under the plan?

N. Did a strike in fact ever occur during the operation of the plan?

   (1) What were the issues involved?

   (2) What part, if any did the employee representation plan play in the strike's occurrence and/or its resolution?

O. Did the plan provide for a formal collective bargaining contract for a specified time period?
P. Was there any procedure for amending the plan itself?

(1) For example, could the powers of employees or of the employer under the plan be changed?

(2) Was such a change negotiable or in the hands of the employer?

5. The following questions involve the plan's actual operation.

A. To your knowledge, were there any deviations from the formal methods of plan operation in actual practice? Please specify.

(1) For example, were election procedures followed as outlined in the plans?

(2) Were employees completely free to raise any issue without fear of management displeasure?
B. Was the plan itself ever amended?

(1) Employer initiation?

(2) Employee initiation?

(3) Government initiation?

C. What, if any, was the nature of change in the plan?

6. What effect, if any did the installation of the plan have upon the flow of communications between management and labor?

A. Did management use the plan as a vehicle for explanation of its objectives, policies, and procedures?

(1) State the specific manner in which this was accomplished.

(2) Was there evidence that such communication increased the worker's understanding of management's goals?
B. Did the plan stimulate worker initiation of communication with management?

(1) Did the number of grievances increase as compared with pre-plan days?

(2) Was there any increase of suggestions for cost savings by workers?

(3) Was there any increase in requests for wage increases (group and/or individual), improvement in working conditions, fringe benefits, etc.?

7. Did the plan have any significant effect upon the benefits granted to workers (tangible and intangible)?

A. Effect upon wages and hours?

B. Effect upon physical working conditions?
C. Effect upon fringe benefits?

D. Would these benefits, in your opinion, have been likely to have been granted if the plan had not been in existence?

E. Was there, in your opinion, any noticeable change in the philosophy of management toward the working force during the operation of the plan?

(1) What evidence can be cited to support this view?

(2) What specifically did the change involve?

8. Was turnover and absenteeism noticeably affected by the operation of the plan?

A. What was the effect?
B. Could any other forces have been involved?

9. Was productivity significantly affected by the plan?

   A. To what extent?

   B. What concerning the plan affected productivity?

10. Did the plan's operation in your opinion make the employees more ready to join a union at a later date, increase their resistance to unionism, or have no effect?
11. Did the plan have any significant effect upon job content of workers?

A. Was there an enlargement of duties of any significant number of non-management jobs as a result of the plans?

B. Did employees obtain more responsibility (such as in the area of planning) as a result of employee representation?

12. What was the effect, if any, of employee representation upon the firm's personnel department (assuming the existence of one)?

A. Formation.

B. Increase in duties or elaboration of existing ones.

C. Overall significance and importance of the department.
13. What part, if any did foremen (or supervisory personnel) play in the representation plan?

14. In your opinion was management's labor policy clearly stated by management and clearly understood by the workers in the days before a representation plan existed? Please explain your answer.

15. How effective was the supervisor (or foreman) in interpreting management's labor policy (assuming one existed) prior to the installation of the plan?

16. Were the supervisors encouraged to communicate with subordinates about the company's labor policy when the company had no representation plan? Please explain.

17. How widespread in your opinion was the reading of the minutes of the representation meetings by rank-and-file workers?
18. Did the plan remain popular with the workers throughout its existence as a means of making requests and suggestions to management? Please explain.

19. In your opinion, did management better understand the feelings of the workforce as the result of the representation plan?

20. Was employee participation in company affairs affected to any extent by the plan? In what ways?

21. Did supervisory personnel lose any of their authority or power as a result of the representation plan? If yes, in what way were their authority and power affected?

22. Did the supervisory personnel appear to resent any above mentioned loss of power and authority? If yes, did this resentment affect their relationships with subordinates? If yes, in what way?
VITA
VITA

Carlos Ray Gullett was born in Wills Point, Texas on September 29, 1941. He was reared in Dallas, Texas, graduating from Bryan Adams High School in June, 1960.

He received the Bachelor of Business Administration degree in May, 1963 from North Texas State University, graduating with honors. His major was Personnel Management. In August of 1964 he was granted the Master of Business Administration degree from North Texas State University with a major in Management.

In August of 1964 he was employed by Southwestern Life Insurance Company of Dallas, working as a Systems and Procedures Analyst through August of 1966.

In September of 1966 he joined the faculty of The University of Texas at Arlington as an instructor in the field of Management.

One year later he entered the doctoral program at Louisiana State University in Baton Rouge. Majoring in Management, his minor fields were Communications and Finance. He is currently Assistant Professor of Management at East Texas State University in Commerce, Texas.
Candidate: Carlos Ray Gullett

Major Field: Management

Title of Thesis: The Impact of Employee Representation Plans Upon the Development of Management-Worker Relationships in the United States

Approved:

[Signatures]

Major Professor and Chairman
Dean of the Graduate School

EXAMINING COMMITTEE:

[Signatures]

Date of Examination:

July 6, 1970