Employee Representation Plans and Union-Management Co-operative Committees: Worker Voice in the United States and Canada, 1914-1939

Greg Patmore
Pro Dean, Faculty of Economics and Business, The University of Sydney, NSW, 2006, Australia (g.patmore@econ.usyd.edu.au)

ABSTRACT

There were two competing plans for worker voice in the US and Canada during the inter-war period. Employee representation plans were a non-union approach to giving workers a voice in resolving grievances and making suggestions. Union-Management Co-operation had union support and supplemented collective bargaining with co-operative committees of management and unionists at the workplace that discussed suggestions to eliminate waste and increase productivity. This paper explores the relative success of these approaches in terms of their impact and explores the reasons underlying their demise.

INTRODUCTION

With declining union density in the United States, there has been a revival of interest in employee representation plans (ERPs). ERPs were joint committees of employees and management representatives funded by the employer to discuss a range of issues including wages and conditions, safety and accidents and company housing. Workers could appeal to various levels of company management and there was even a provision in some for appeal to an external court if mediation failed. The company paid for all costs associated with the plan, including reimbursement for the loss of work time by employee representatives. The promoters of ERPs viewed them as alternatives to both individual contracts and independent trade unions. They were championed initially by J.D. Rockefeller Junior as a solution to labour problems following the Ludlow massacre in Colorado in 1914 (Patmore 2006: 43).

Section 8 (a) (2) of the US *National Labor Relations Act*, however, banned ERPs or company unions because they were viewed as attempts to deny workers the rights to independent representation of their own choosing. Critics of this legalisation argue that it should be amended to allow employees voice in those workplaces where unions are no longer present. This would allow workers to raise grievances and make suggestions that would increase plant productivity (Patmore 2006: 41-42).

Several US academics such as David Fairris (1995) and Bruce Kaufman (2000) have supported this view by a favourable historical re-examination of the period prior to the legislation when ERPs were legal in the US. They argue that the ERP was part of a progressive move in US industry to promote a greater interest in more sophisticated personnel management practices to improve worker commitment, morale and productivity. The founders of the personnel management movement called for a recognition of the 'human factor' and a more systematic approach to labour management. As Brody (2001: 373) has argued, 'For the New Era's lead industrial firms, employee representation became emblematic of best practice under the aegis of advanced personnel management.'

Those scholars re-examining ERPs have generally overlooked the AFL supported alternative of union-management co-operative committees (Nelson, 2000:

68). Where union shops existed, union representatives and managers met together on committees to discuss a range of issues that could eliminate waste, improve productivity and enhance safety. Wages and working conditions were left to the regular negotiations between the company and the unions. Management under this scheme were to accept trade unions as necessary and constructive in running of their enterprise, while unions agreed to assist the companies in the marketing of their services and the winning of government contracts. There were other objectives including the stabilisation of employment and sharing the gains of co-operation (Beyer, 1928: 125-9). Unlike the ERPs, representatives generally were not directly elected by the employees. Current union workplace representatives were the employee representatives on the co-operative committees (Wood 1931: 106-107). The union focus of the co-operative plan stands in contrast to non-union and indeed anti-union focus of the ERP.

THE ORIGINS

Though there were earlier examples of ERPs in the US, the Rockefeller Plan of October 1915 is the watershed in their development. Colorado Fuel and Iron (CFI) established the plan in the wake of the Ludlow massacre. This incident occurred on 20 April 1914 during a violent coal miners' strike in Colorado against the company and other coal firms. A gun battle between Colorado National Guard and the miners at the Ludlow strikers' camp left ten men and one child dead. Eleven children and two women were also asphyxiated in a tent fire after the National Guard overran the camp and put the tents to the torch. Public outrage flared against both CFI and the Rockefeller family, which had the largest shareholdings in the company. It was possible that the Wilson federal administration would intervene and establish grievance procedures to settle disputes. The government proposal allowed local grievance committees chosen by the miners to settle grievances. If the grievance could not be resolved by the committee, then it would be referred to an arbitration board selected by the President. J.D. Rockefeller, Jr. recruited W.L. Mackenzie King, a former Canadian Minister for Labour, to help him frame the Rockefeller Plan. With the union defeated in the strike, the miners gave their support to the plan in a secret ballot, where 84 per cent of the 2,846 votes endorsed the scheme. The company extended the plan to its Pueblo steelworks, which had a history of blacklisting workers who took collective action (Patmore 2007: p. 848).

While there were also earlier examples of what could be called union-management co-operation (Jacoby 1983: 27), the idea was promoted by civil servants such as Otto Beyer in agencies such as the military arsenals and the United States Railroad administration during and immediately after the First World War. Beyer, an engineer, was a member of the Taylor Society (Field 1995: 26-28). He was strongly influenced by Whitleyism[1], which arose from a UK wartime committee appointed by the British Government to examine the improvement of labour relations. It focused on industries where labour was well organized and proposed Industrial Councils composed of employer and employee representatives. Similar committees at a local and workshop level would supplement the Industrial Council's activities. The Industrial Council could deal with or allocate to ancillary committees questions such as methods of fixing and adjusting earnings, technical education and training, and proposed legislation affecting industry (Patmore 2006: 43). The executive committee of the American Federation of Labor (AFL) in 1918 adopted the tenets of the Whitley Committee as a means of pursuing a greater voice in US management (Vrooman 1991: 39).

While co-operative management stalled during the economic downturn that followed the First World War, Beyer gained support of William Johnson, the president of the International Association of Machinists (IAM), and Daniel Williard, President of the

Baltimore & Ohio Railway (B&O). Williard, who had been a railway union member, was sympathetic to unions. Following the defeat of unions in the 1922 national Railway Shopmen's Strike, which placed Williard in a positive light as he broke from other employers and signed a union contract, the B&O workshop co-operative committees were first introduced in February 1923. Unions provided the elected representatives and the committees met frequently to discuss productivity issues (Vrooman 1991: 9, 41-51).

HOW EXTENSIVE?

The ERP spread beyond CFI to a range of industries in the US and Canada. It became part of a movement that spread throughout the US to a range of industries. While the number of companies with plans or a company union declined in the late 1920s, the number of employees covered by the plans continued to increase, covering almost 1.6 million workers in 1928. Although state intervention in US industrial relations was wound back and the trade union challenge diminished with an economic downturn in 1920-1, employers continued to see ERPs as a valuable union avoidance device. The Open Shop Campaign or the American Plan, particularly during the early 1920s, targeted the weakened labour movement through patriotism by claiming it was a continued threat to the American spirit underlying the Declaration of Independence. There was a radical shift in the relative strength of the plans compared to trade unions. Plan employee coverage as a percentage of trade union membership grew from 10 per cent in 1919 to 45 per cent in 1928. Alongside this there was also a greater interest in more sophisticated personnel management practices to improve worker commitment, morale and productivity. The founders of the personnel management movement called for a recognition of the `human factor' and a more systematic approach to labour management. This was particularly true of large firms, where ERPs tended to be found. These firms were concerned about the growing communication gap between management and employees and had the resources to deal with the problem. These larger companies also had significant number of university-educated managers who were steeped in the principles of scientific management and personnel management. Some large companies, such as US Steel, rejected ERPs and favoured share ownership, believing that representation of any kind would ultimately lead to a union closed shop. Judge Elbert Gary of US Steel also argued that ERPs failed to prevent labour unrest as highlighted by the employee walkout at the Pueblo steel plant of CFI during the 1919 Steel Strike (Patmore 2006: 46-9).

As in the US, ERPs flourished in Canada in 1918-19. Union membership grew from 160,000 in 1916 to 378,000 in 1919. There was a labour revolt during 1919 with general strikes in Winnipeg, Toronto and Amherst. The reason for the discontent included fears of unemployment, inflation and demands for shorter hours. The popularity of the appeals for solidarity and mutual support encouraged employers to seek forms of workplace organization that would insulate workers in each establishment from those in others. The Mathers Royal Commission appointed by the federal government to investigate the industrial unrest praised both the Rockefeller and Whitley schemes as a means of reducing unrest. Large employers, particularly Canadian branches of US firms, primarily adopted the Rockefeller schemes as part of a welfare program. In addition to Imperial Oil, these firms included International Harvester, Proctor and Gamble and Bell Telephone. The plans also tended to be found in mass-production or continuous process industries with large numbers of semi-skilled workers. By 1920 the percentage of workers covered by ERPs in Canada was about twice that in the US (Patmore 2006: 56-58).

During the 1920s and early 1930s the ERPs had varying fortunes in Canada. The Canadian Department of Labour promoted the plans through its *Labour Gazette* in the 1920s. Management's interest in the schemes fluctuated according to the economic climate. The Massey-Harris council ceased to exist when the company shut down in the 1921-2 recession. The company revived the council when the economic climate improved in 1923. The council ceased to exist in 1931 during the depths of the Great Depression but management resuscitated it during World War II in 1943. Canadian employers also saw the ERPs as anti-union strategies. At the Sydney, Nova Scotia, steel plant of the British Empire Steel Corporation, workers and their unions defeated a management proposal for an ERP in a ballot in December 1922. Following the defeat of the unions in a major strike, management introduced an ERP in August 1923 without a vote by employees. (Patmore 2006: 58).

Co-operative management spread beyond the B&O, but never achieved anything like the success of the ERP movement. Four other major North American railways adopted co-operative management with varying degrees of success, with the management of the Chesapeake and Ohio Railway adopting it in its workshops in Richmond, Virginia in July 1924, but quickly losing interest (Vrooman 1991: 66-7). A major success was the state-owned Canadian National Railway (CNR). Here the management adopted the B&O scheme, which commenced operation on 1 January 1925, for its employees in its major workshops and roundhouses. There was a strong union presence and management could not break them. There were local committees and one central committee of employee and management representatives. The plan was extended to track maintenance workers in 1929. The AFL, whose international affiliates also covered Canada, praised the CNR scheme. The plan, however, was linked to the style of Henry Thornton, the president of CNR. He had a good relationship with union officials and viewed as radical by other business leaders. The AFL invited Thornton to be a guest speaker at its 1929 Toronto convention (Patmore 2006: 59). Outside the railway companies a small but notable example was the Chicago firm of Yeoman's Brothers, which adopted union management co-operation with the IAM in July 1930. It sold electric pumps for uses such as water supply and sewerage and was the only union shop in its industry at the time (Aultz 1940: 37).

The fledgling movement built around co-operative management faced a number of barriers. There was opposition by rank and file union members. The idea was introduced in a top-down manner and were linked in some cases to wage cuts, layoff and work intensification. There was restricted participation for union members on the B&O, with participation being limited to the dissemination of the minutes of meetings. The Communist Trade Union Educational League through factions in key unions such as the IAM encouraged this opposition (Jacoby 1983: 30-31). An example of defeat can be seen in 1931 at the St. Louis Terminal Railway, which provided rail interchange services in a key railway hub in Missouri. Surrounded by railways with company unions, it was seen as a crucial beachhead for promoting co-operative management. The proposal was unanimously rejected by union members, who referred to complaints by B&O workers and failed to see any benefits which had come out of co-operative management. Some workers described it as a 'speed up system' that would lead to further dismissals in a period of economic depression. [2] The 1930s Depression generally weakened co-operative management. It survived on the B&O and the CNR, but disappeared on other railways. The Chicago & Northwestern Railroad dropped the scheme in February 1932, later claiming that the reduction of the workforce and the curtailment of repair work did not justify the scheme's continuation (Aultz 1940: 25).

DEMISE

ERPs came under challenge during the 1930s. Section 7 (a) of President Roosevelt's *National Industrial Recovery Act* of June 1933 recognised that workers had the right to bargain and organize collectively through their own representatives without employer interference. Unionism took off and employers rushed to set up ERPs to stop unions organizing in their workplaces. The number of workers covered by these ERPs grew from 1.8 million in 1934 to 2.5 million in 1935. ERPs reached their peak by 1934, when according to Brody (2005: 52), `they covered probably three million workers, more than did the unions…' Critics condemned these ERPs as 'sham organizations' that impeded economic recovery and they were outlawed in the *National Labor Relations Act* of 1935 or *Wagner Act*. The National Labor Relations Board (NLRB), the agency of the Act, moved against ERPs after the Supreme Court upheld the legislation in 1937. In 1939, the Board won a major case against the Newport News Shipbuilding and Dry Dock when the US Supreme Court ruled that an ERP in existence since 1927 was illegal. The ERP was illegal even though the employer no longer funded employee representatives' expenses and workers had voted for it in a secret ballot in preference to independent trade unions. The decision spelt the effective end of the movement inspired by the Rockefeller Plan. At CFI the Plan in the mines ended in October 1933, when CFI miners voted for collective bargaining through the UMW and against the ERP. The Plan remained in operation longer at the Pueblo steelworks where the ERP underwent a series of changes in order to prevent unions entering the plant before the final representation election in July 1942 when workers voted 58 per cent in favour of the union. The major reason for the defeat of the ERP was a major influx of new employees as steel mill production expanded to meet wartime demand (Patmore 2007: 858-860).

As the Canadian economy recovered from the Great Depression there was also an upsurge in labour militancy and trade unionism. While there was no national *Wagner Act*, workers rushed to join new industrial unions. Management again established ERPs to try to stop unionization. Steelco, which had a large steel plant in Hamilton, Ontario, established a plan at the first sign of a union. Sydney steel workers used their ERP as a platform for organising unions. Several activists believed that they could use the council to build a 'real union.' Some of them successfully stood for the plant council, which gave them some freedom to move around the plant. When management rejected a request for a wage increase, four employee representatives formed a workers' committee. The committee became the basis for the independent union, which soon organized the majority of workers at the Sydney plant. It successfully lobbied with other workers the Nova Scotia provincial legislature to pass a *Trade Union Act* in April 1937, which forced employers to recognize and bargain with the trade union representing the majority of workers and fined companies for discriminating against trade unionists. This was the first Wagner influenced legislation in Canada and contained provisions for a vote on a union check-off if employers already had a system of checking off deductions for any other purpose. Sydney plant management tried to undercut the drive for union members by offering wage increases and retrenching workers. They also tried to mobilize workers to fight the menace of `foreign controlled' international unions. Within a week of the passage of this legislation, however, the employee representatives on the plant council, who were all union members, resigned on mass. The plant council held its last meeting on 22 April 1937 and the steelworkers' union subsequently won a ballot for a check off system for union subscriptions (Patmore 2006: 59-60).

While new labour legislation in the US eliminated ERPs, it also weakened union enthusiasm for co-operative management. There were concerns that the union-management co-operative committees were now redundant and may even weaken the US trade union movement. Jacoby (1983, 31) claims that by 1933 the AFL had 'quietly dropped its official support for co-operation.' A. F. Whitney, the President of the Brotherhood of Railroad Trainmen, in a letter to Beyer in March 1938, argued that if workers had any ideas they could submit them to their superintendents through the union. He noted that there were 'well-founded suspicions' that labour's attention would be divided and moved away from their central objective of improving wages and conditions.[3] While there was a move against the co-operative model, there were continued attempts to expand co-operative management, such as is the case of the bankrupt Rutland Railroad, which was primarily located in Vermont,[4] and the Enterprise Foundry Company of Belleville, Illinois. In a later case the AFL unions persuaded the owner to accept co-operative management in 1939 as an alternative to relocating to the South (Aultz 1940: 25). Co-operative management was continued at the B&O until 1962 (Vrooman 1991: 181) and 40 co-operative committees were still in operation in the CNR rail maintenance department in 1958.[5]

IMPACT

While this paper does recognize that ERPs did provide some benefits for employees at these plants through providing worker voice, they were a union avoidance device. For employees, the plans did not provide an alternative to unions as management denied workers an independent voice. Management exercised a veto over the decisions of the committees and had the power to disregard protests of the committee. ERPs generally did not provide a long-term alternative to trade unions. The employer's commitment to ERPs generally depended on the economic climate. Some plans were tied to the fortunes of particular individuals within management such as J.D. Rockefeller Jr. in the case of CFI. In the US the legislative climate also shifted against them leading to their ultimate outlawing by the *Wagner Act* (Patmore 2006: 64-5).

How effective were these schemes as a voice for workers? There are difficulties comparing union management co-operative plans with ERPs, as many of the suggestions in ERPs related to grievances and working conditions. Under the union management co-operative plans these grievances are handled by the union and management. Suggestions under the union management co-operation related primarily to improvements in working methods and equipment. Unions highlighted the benefits of the co-operative committees for reductions in working expenses and increasing dividends. From March 1924 to December 1939 30,673 suggestions were received and discussed by workshop co-operative committees of the B&O, of which 86.2 per cent were adopted. For the CNR and its subsidiary, the Central Vermont Railway, there were 23,769 suggestions discussed at consultative committees from 1925 to 1938, of which 83.6 per cent were accepted (Aultz 1940: 57-8).

Similarly impressive figures can be found for ERPs. At the Bethlehem, Steelton, Lebanon and Maryland plants of Bethlehem Steel the plan settled 71 per cent of 2,365 grievances in favour of the employee between October 1918 and June 1923. Of the total grievances, 26 per cent related to employment and working conditions, while 24 per cent related to earnings. During 1920 employees at the steel works and lime quarries of CFI raised 118 issues with management. Of these issues 44.9 per cent related to working conditions, 13.6 per cent related to living conditions such as company housing, 9.3 per cent related to medical treatment and 7.6 per cent related to wages. Employees respectively received favourable outcomes in at least 83 per cent, 75 per cent, 73 per cent and 67 per cent of cases. Management figures, however, were flawed. A CFI report commissioned in 1924 found that management manipulated the data concerning favourable outcomes to include cases where workers had given considerable concessions to management to gain an improvement. Further, it is not clear the significance of the issues that management accepted or rejected. Management may have granted many minor requests that have a minimum impact but rejected requests that have significant implications for costs or managerial authority (Patmore 2006: 49-50).

One benefit for those companies that engaged in cooperative management was union assistance in marketing and gaining contracts. In the case of the B&O this initially involved union local branches actively campaigning for patronage for the railway. As the economy improved after 1932 the employee efforts to increase business for the B&O were formalized through the Co-operative Traffic Program (CTP), with staff and local committees, modelled on the co-operative committees. Vrooman (1991, 136) has estimated that the CTP may have increased B&O traffic by a small but significant 1.1 per cent in 1934. In the case of Yeoman's Brothers union connections helped the company obtain contracts from municipalities where organised labour was influential. These connections helped the company gain at least five contracts during 1932-33 and assisted its survival in the depths of the Depression (Aultz, 1940: 43). Any productivity gains and increased business from the co-operative management scheme were viewed by these companies as important offsets for the high wages of a union shop compared to their non-union competitors.[6]

CONCLUSIONS

Two different approaches to employee voice developed between the World Wars in North America. The ERP established joint committees that dealt with grievances and suggestions. Employees elected their representatives to the joint committees. While ERPs may have been a genuine attempt to give employees a voice, they were an anti-union device. The union management co-operative committees supplemented traditional collective bargaining between unions and management and provided union members an opportunity to provide suggestions to improve productivity. Union membership was the basis for participation in the co-operative committees, but there was rank and file resistance against the top-down manner in which co-operative management was introduced. In the open shop climate of the 1920s the ERPs became far more successful, with the co-operation scheme having its major impact in the railways, particularly the B&O and the CNR. Both provided an avenue for workers to have a voice in the management of their enterprises. The co-operation scheme did bring some increased benefits for management in terms of sales and contracts. Both approaches were casualties of the events associated with the *Wagner Act* in the US. The ERPs were outlawed in the US, while unions no longer saw the co-operative committees as helpful in gaining and maintaining recognition as agents for collective bargaining.

REFERENCES

Aultz, C. (1940), 'Union-Management Co-operation', MBA Honours Report, The University of Chicago.

Beyer, O. (1928), 'Union-Management Cooperation in the Railroad Industry', *Proceedings of the Academy of Political Science* 13, no. 1: 120-127.

Brody, D. (2001), 'Why No Shop Committees in America: A Narrative History', *Industrial Relations*, 40, No. 3: 356-376.

Brody, D. (2005), *Labor Embattled. History, Power, Rights*. Urbana/Chicago: University of Illinois Press.

Fairris, D. (1995), 'From Exit to Voice in Shopfloor Governance: The Case of Company Unions', *Business History Review* 69, no. 4: 494-529.

Field, G. (1995), 'Designing the capital-labour accord. Railway Labour, the state and the Beyer Plan for union-management Co-operation', *Journal of Management History* 1, no. 2: 26-37.
Jacoby, S. (1983), 'Union-Management Cooperation in the United States: Lessons from the 1920s', Industrial and Labor Relations Review 37, no. 1: 18-33.
Kaufman, B.E. (2000), 'The Case for the Company Union', *Labor History* 41, no. 3: 321-51.
Nelson, D. (2000), 'Employee Representation in Historical Perspective', In *Non-Union Employee Representation. History, Contemporary Practice and Policy*, edited by Bruce E. Kaufman and Daphne G. Taras. Armonk: M. E. Sharpe: 61-75.
Patmore, G. (2006), 'Employee Representation Plans in the United States, Canada and Australia', *Labor* 3, no. 2: 41-65.
Patmore, G. (2007), 'Employee Representation Plans at the Minnequa Steelworks, Pueblo, Colorado, 1915-1942', *Business History* 49, no. 6: 844-847.
Vrooman, D. (1991), *Daniel Willard and Progressive Management on the Baltimore & Ohio Railroad*. Columbus: Ohio State University Press.
Wood, L. (1931), *Union-Management Co-operation on the Railroads*. New Haven: Yale University Press.

[1] O. S. Beyer, 'Efficiency Through Democracy in the Railway Industry of America', Typescript, 8.4.1919. File – 'Scientific Management', Container 64, Otto S. Beyer Papers, MS12633, Library of Congress, Washington, DC (hereafter Beyer Papers).
[2] Letter from J.M. Burns to members of Executive Council, Section No. 2, Railway Employees Department, 8.10.1931, File – 'St. Louis Terminal Railway, ca, 1931', Container 64, Beyer Papers.
[3] Letter A.F. Whitney to O.S. Beyer, 11.3.1938. File – 'Brotherhood of Railway Trainmen ca. 1932-1942', Container 49, Beyer Papers.
[4] Letter from O.S. Beyer to W.E. Navin, 21.10.1941. File – 'Rutland Railroad Company Minutes ca 1940-42', Container 64, Beyer Papers.
[5] Canadian National Railways. Union-Management Co-operative Movement – Maintenance of Way Department. 28th Annual Report 1958. Library and Archives of Canada, Ottawa, RG 30 Volume 11839, C.406.3 Maintenance of Way Dept. CNR Annual Report 1958.
[6] Letter from C. Yeomans to R.T. Eastwood, 10.12.1940. File – 'Yeomans Brothers Company Correspondence ca 1932-1936', Container 46, Beyer Papers.