Labor Unions and Labor Management: 1900-1930

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Older business historians, it seems fair to say, are of two minds in their view of unionism [8, 16, 17]. They agree that independent and large labor unions were needed to guarantee fair employment terms to the rank-and-file of employees of the bureaucratic and impersonal monoliths that sprang up in America after the Civil War. These historians admit that some unions at some times used their powers to achieve unjustifiable ends, at employers' or public's expense. But, although such excesses might illustrate the need for enlightened leadership or perhaps for some mild legal reforms, their conclusion on balance is that big labor was a necessary offset to big businesses.[1]

Knowing and agreeing to the outcome -- big labor -- in turn informs most histories of the evolution of unions. The story is that, after misguided efforts to unite all laborers into protective societies (such as the Mechanics Union of Trade Association of Philadelphia, circa 1827), into cooperative escapes (such as Brook Farm), and into idealistic political movements (as represented by the Knights of Labor), Samuel Gompers discovered what was needed, business unionism. Business unionism is unionism with only one ideal, directly improved working conditions for each member. Its principal focus is the job site and its principal means are collective job representation and job action, although means to social (political) action are maintained. The AFL'S business unionism benefitted many but, as time passed and mass production industry grew, not enough. Thankfully, because of the far-seeing eyes of John L. Lewis and cohorts at the CIO, the benefits of unionism were made available to unskilled American workers. Unions spread over the virulent objections of employers, of course. Employers always objected to unions, because profits were extorted from workers by means of days too long, pay too low,

and working conditions too dangerous. To retard and reverse the growth of unions, employers used several means. Most celebrated were law, embodied in injunctions and yellow dog contracts, and violence, embodied in Pinkertons and militias.

In this mythology, there was a third means used to stop legitimate unionism, the company union. Although not so vilified in song and lore as the first two, the company union was the most effective block to independent unions. However, employers' were not convinced of this efficiency. Large employers were convinced that company unions raised workers' productivity. But they hesitated to establish company unions, for fear that a company union might pave the way for independent unions. Thus, I turn this chapter of the traditional story on its head. It was the perceived threat that a company union would become an entry for an independent union which retarded the growth of company unions in the period 1900-1933. Now to my argument.

II

The period after the Civil War witnessed massive reorganization of industry. The number of establishments in manufacturing grew from 140 thousand in 1860 to a quarter of a million in 1880 and half a million in 1900. Employees per establishment rose from 8 in 1860 to 10 in 1900, and to 23 in 1900, if hand trades and neighborhood industries are not counted [5, table 3, p. 16]. By century's end, pools, trusts, and monolithic employers were the retained visions of industry in America.

The foundations of these monoliths had many facets. Cheap, fast, and dependable distribution was one. Not because it meant production could be disposed of (which seems to be the argument of Chandler [7]). Rather, the new dependability and regularity of distribution let top managers make decisions about distribution and left implementation and immediate oversight of those decisions to others -- the subordinate managers, if distribution was kept internal, or the third parties (wholesalers) if distribution was made external. With regularized distribution now cheap, top managers could, and with profit did, turn their continuing attention from distribution to production.

To change production methods now promised high profits for three reasons. The first is that newly cheap wide distribution meant that even small reductions in per unit cost could be multiplied by a large number and so become large contributions

to profit. In other words, economies of scale in production no longer were offset so soon by diseconomies of scale in distribution. So, even with no other changes, managers' attention would have turned to cutting production cost, with the result that firms with successful new ideas and plants with unexploited economies of scale would have grown in size.

That scale economies in production could be exploited cheaply after the Civil War is, of course, the argument so brilliantly put forward by Chandler to explain the horizontal expansion of the era. But there are additional reasons for explanation of this growth. "In 1850, more than three-quarters of all power was furnished by animal energy, and human energy produced more power than machines did" [19, p. 307]. This situation changed rapidly, as reductions in transport costs cheapened fuels alternative to water and advances in knowledge and technique raised the efficiency and dependablility of these fuels' transformation into power at the job. For instance, constant dollar costs of transporting coal in the Tidewater of Virginia irregularly declined by half between 1875 and 1918.[2] Cheaper and more dependable alternative power let plants move away from water (for one water power source no longer set the upper bound for plant size). Horsepower per production worker trebled over the period [4, II, p. 681]. In the terms of the discussion of distribution improvements above, economies of scale in production rose as new sources of delivered power fell in cost.

In response to this fall in the cost of power, plant managers did not just enlarge traditional plants. They changed them dramatically to facilitate employment of unskilled and cheaper labor. Completed tasks were divided into more jobs, each mastered more quickly and more surely by weaker and less educated workers, and each now paced and to some extent monitored by machines employed in a sequence of production newly designed to minimize production cost, rather than to replicate the old way of production at less cost. The ultimate innovation was Henry Ford's assembly line, under whose tutelage farm boys became automakers practically immediately.

It is this last feature of America's industrial transformation -- the substitution of machine or process management of unskilled workers for self management (as with the artisan) or close personal supervision (as practiced by foremen and gang bosses in the first factories) which so altered the nature of work in manufacturing and was the rationale for mass production. It was this drive to manage cheaply the unskilled workers which called forth immigrants from homes and farms here and abroad and which so reduced the number of true artisans. It

was this drive to manage well this abundant resource, unskilled labor, which preoccupied management between, say, 1880 and 1920, and which in turn shaped labor relations, 1900-1930.[3]

III

At century's turn, top managers who could combine cheap power and innovation to embody more direction of an unskilled work force in machinery and production routine could save mightily on labor costs. Growth in numbers of potential workers from Ireland, Southern Europe, and American farms made such a new, capital-intensive production process exceedingly profitable, if it worked.[4] To try it, capital-labor ratios were increased by half, 1880-1900 [4, I, pp. 224-55]. And, success was achieved with assembly line stations to pace and to monitor work, so that uneducated, illiterate, and even non-English speaking workers could be put to and kept productive at a job.

Contributions to profit from the savings on labor costs got (so to say) from letting production manage laborers, rather than letting laborers manage production, could be multiplied as far as the management embodying production process could be extended, for the supply of unskilled workers was practically infinitely elastic. But all that machinery and all that organizational capability embodied in a few top managers -- the emerging magnates of the new industrial order -- was valueless while unemployed. And these physical and managerial capitals could only be employed with the complementary inputs of raw materials, labor, and product distribution (sales). If the flow of any one were stopped, then for that period the fixed and quasi-fixed capital inputs earned no yield. Top managements accordingly took steps to reduce the risk of stoppage of critical complimentary inputs. Companies integrated backwards and built inventories of stocks-on-hand or of suppliers to assure continuous supplies of raw materials. Companies integrated forward, became a quasi-captive supplier of a firm farther forward in the production process, and added storage facilities for the plant's output, to ensure that blocked distribution did not force plant capital to cease work and thus cease yield. Within the plants, top managers tried out Taylorism and other more economical ways to manage laborers. And top managers looked to reduce the risk that laborers would combine to stop or steal human and physical capitals' product.

In sum, I am arguing that at the century's turn, newly available scale economies in the management of manufacturing labor prompted horizontal expansion of plants and of firms and

that risks of disruption of that capital intensive process prompted firms to vertically integrate and to seek ways to mollify, as well as to manage, labor.

To link the horizontal and vertical growth in this era of plants and firms to economies of scale in production is not novel. To identify management of labor as the source of the production economy, and so to argue that talented managers sought production processes that would give wide play to their ability to manage labor, is novel. More commonly, the source of the scale economy is identified as the mass-production techniques [cf. 7; 19 p. 309ff]. From so far away in time, it is hard for me to give conclusive proof that my identification of the source is right. Indeed, perhaps my difference is one of nuance, of my putting emphasis on better management of labor, rather than on better containment of labor. But, at the least, I think my nuance correct: labor was a source of, and a threat to, the profits of mass production, not a threat alone. My argument best can be illustrated in discussion of company unions.

IV

Management with machines let manufacturers decrease the discretion and redefine the job of foreman, as well as of the rank-and-file workers. With scientific management, foremen were only needed to keep attendance and performance sufficient for some minimum. No longer were foremen wanted to recruit and instruct crews; ideally, a foreman now walked each standardized recruit through his standardized task once or twice, and then made sure that the employee stayed at his task.[5] Ideally, the standardized employee continued to do his standardized task at the standardized pace. There were reasons that he might not, however. These reasons are not relevant in the simple theory of the firm, but then the firm is not relevant in the static and transaction-costless world of simple theory, where labor is supplied freely at the market wage and contracts implicit and explicit are fulfilled. So, to understand labor relations of the era, let me look at a more realistic world.

The hiring of less-skilled (and often foreign-born) labor, the downgrading and routinization of the tasks of foremen, the increase in size of each plant's rank-and-file work force and the routinization of its tasks increasingly isolated workers from managers with the authority to explain or to change work practices and conditions.[6] This same process made standardized working conditions dominant; simply put, to keep costs down and

wages up, everybody worked at the same pace and faced the same levels of heat and noise.

Shared working conditions need satisfy no worker perfectly, for their appeal is the economy in their sharing. But they will be most bearable if the magnitudes of their economies are explained to, and if agreement to the sharing is obtained from, workers. Likewise, shared or deferred pay (mostly pensions and death and injury benefits, in this era) wants explanation and acceptance. Employees's yields from job-specific human capital -- which may be so mundane as friends met at this location, but may include learned mastery of a task not performed elsewhere -- also are at risk; if the employment relationship is impaired or lost, so are specific capitals' yields [1].

Thus, to protect their job capital, to maximize utility from necessarily shared on-the-job consumption, and just to learn what is going on, unskilled employees would like to share an agent to represent them to management and to evaluate the words and deeds of management. Factory managements also would like an agent through which to communicate with workers. The old (strong foreman) system of direct access became too costly after much of the foreman's jobs of selecting and directing employees was assigned respectively to personnel offices and machines. But the large plants meant that individual bargaining would take too long, and the routinized work and pace of newly employed less-educated workers meant that workers' questions could not be so easily answered by coworkers and managers. It is reasonable, in sum, to conclude that workers and top managers of these new type, mass-production factories would benefit from institutionalization of some indirect means of communication, a means that made more intelligible and more trustworthy what management said to its labor [11].

There is evidence that managers and workers found such mutually desired mediums of communication in the form of company unions. The evidence is three-fold. First, the largest employers of unskilled workers who most would benefit from company unions got company unions first. Second, so-called independent unions by and large could not win bargaining rights away from company unions, even after (1) the World War I experience under the National War Labor Board exposed many unskilled workers to AFL unionism directly and favorably [20] and (2) the National Industry Recovery Act forced determinedly nonunion employers to permit unionization in 1933-35. Third, there is the direct evidence: Large employers debated whether company unions would help to economize their work forces, but at the risk of facilitating labor-monopolizing AFL unions; while the AFL concluded that without the right to strike it could not

compete with company unions, and accordingly the AFL embraced cooperation with managements in the 1920s [3, pp. 303-06].

V

That managements embraced company unions as a positive means to enhance productivity of unskilled labor is not the standard interpretation. More standard is to picture a company union as a fraud upon employees that inexplicably blocked independent unions. But there is the historical statistical record of company unions, which in some measure has been continued since by single-firm independent unions. Finally, there are the pamphlets and deliberations of the National Industrial Conference Board that clearly reveal employers concern for better and collective communication with employees and reveal managers' fear that any such instrument (company newspaper or company union) might pave the way for unprincipled independent unions who would mislead and misrepresent workers. Indeed, the preceding sentence summarizes the view stated and restated in the NAM collection at Eleutherian Mills and presented personally by several of the principal actors, such as Rockefeller [15]. This view, that company unions facilitated mass-management of production workers, agrees with the modern theory of unionism [11, 12]. And it better explains the doldrums of independently organized labor before the National Industrial Recovery Act and the Wagner Act, and the membership explosion after, than does reference to William Green's lethargy and John L. Lewis' brilliance [13]. After all, Wagner Act in hand, Green organized more than did Lewis.

NOTES

1. Newer radical historians, my discussant reminded me, also see laborers needing organized protection but getting shortchanged by the self-centered efforts of big labor unions [10, pp., 200-02].

2. Railway rates from [14 in US, p. 88] and [4, p. 23]. Deflated by CPI from [4, I, p. 224].

3. See [18] for an analysis of slavery that likewise attributes the profitability of plantations to planters' abilities to manage uneducated workers -- it turns out, by the same means: simple gang tasks or continuous assembly-line routines.

4. Relatively better skilled immigrants from northwestern

Europe (excluding Ireland and including Germany) comprised about 65 percent of total immigrants in 1860 and 1880, but only 20 percent in 1900 [4, I, C89-119, pp. 105-06].

5. By most accounts, scientific management paid too little attention to psychological aspects of work and, in consequence, had little positive, sustained payoff when used alone.

6. Although operatives per foremen declined from 16 in 1900 to 10 in 1920, I suspect that the shift of manufacturers from hand and neighborhood shops into factories explains this [4, p. 142].

7. Modern single-firm unions typically are in continuous-flow industries led by industrial giants which are not characterized by job mobility of workers across firms.

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