Managing the Mills: Labor Policy in the American Steel Industry, 1892-1937

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This dissertation is intended to unite the concerns of business history and labor history. Even though labor and management could not exist without the other, scholars in these subfields seldom venture onto each other's turf. Heavily influenced by the structural-functionalist approach of Alfred Chandler, business historians tend to treat workers as if they were invisible or at least just another factor in production. It is outside their realm of concern, as Chandler himself readily admits [Chandler, 1988, p. 451]. The study of labor history once had a tradition of focusing on employer-employee relations, but since the 1960s its practioners have primarily concentrated on local studies of working-class community and culture. When labor historians consider employers in any depth, they tend to treat them as single-minded profit-maximizers, out to squeeze every penny from worker's paychecks so as to line their own pockets.

It is this monolithic depiction of business and business leaders in most American labor history that got me interested in the mechanics of business decision making, specifically labor policies. I wanted to study why American employers have fought unions so fiercely over the years. I chose the steel industry as an example of this phenomenon because it was the most anti-union industry I knew of at the time I selected my dissertation topic. The men who ran the American steel industry at the turn of the century had a particular worldview that greatly affected the way they managed their workers and made them especially hostile to organized labor.

My work portrays labor policy decisions in the steel industry as being influenced by a combination of both economic and cultural factors. I do not intend to suggest that culture was more important than economics in business decision-making, although sometimes steelmakers implemented labor policies which appear economically irrational in hindsight. My primary argument is that in a marketplace in which perfect information about any decision was unobtainable, culture influenced the choice of which seemingly rational labor policy decision a company might make.

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A few historians have begun to examine the culture of American business in recent years.[1] One of them, Kenneth Lipartito, defines culture as "a system of values, ideas, and beliefs which constitute a mental apparatus for grasping reality." He defines business culture as the "set of limiting and organizing concepts that determine what is real or rational for management, principles that are often tacit or unconscious" [Lipartito, 1995, 7]. Labor policy is a particularly good tool for the study of business culture because it was and is so value-laden.

Beginning in the post-Civil War period, America was engrossed by the so-called "labor question;" in short, how to get labor to accept the difficult conditions created by an industrializing economy. It was a hot topic among scholars, journalists, and employers of all kinds. American steelmakers were at the forefront of this debate, speaking, writing, and answering questions about why their industry was nonunion and why they wanted it to stay that way. There is also ample evidence about their views on unions in available archival materials such as the papers of a few steel companies. Assessing this evidence as a whole, I have found that their defense was based on a belief in management's freedom to control every aspect of business operations and traditional perceptions of how one could succeed in American life. As long as employers treated their workers as individuals, they could guarantee that the most worthy and industrious workers could advance in the hierarchy of the workforce. If forced by a union to treat their workers *en masse*, this fundamental American principle would cease to function.

Employers thought the ethos of individual achievement made good business sense because an employee interested in elevating himself would be more productive than an employee who did not share this concern. Bethlehem Steel Chairman Charles M. Schwab explained it this way: "...show [workers] that promotion and reward are sure to come from initiative and ambition, and you elicit their loyalty and stimulate their efficiency – both to the company and to themselves" [Whipple, c. 1936, p. 71]. The ardor with which steelmakers believed in this principle is reflected in the many fierce labor battles which occurred in this industry between, 1892 and 1937, what labor historian David Brody has dubbed the "nonunion era" [Brody, 1960].

Cultural factors affected the economic choices of steel manufacturers throughout this period. The dominant figure in the steel industry at the beginning of the nonunion era was Andrew Carnegie. In 1886, Carnegie became a hero to organized labor because of two famous articles he authored for the magazine *The Forum*. These pieces expressed limited support for the idea of worker organization. For instance, in "An Employer's View of the Labor Question" Carnegie wrote, "My experience has been that trade-unions, upon the whole, are beneficial to both labor and capital" [Carnegie, 1886 (1992), p. 96]. In "Results of the Labor Struggle," he explained, "There is an unwritten law among the best workmen: 'Thou shalt not take thy neighbor's job.' No wise employer will lightly lose his old employees" [Carnegie, 1886

[1] For citations to this historiography, see Becker [1996] and Heller [1997].

(1992), p. 112]. When the steel market floundered after 1886, Carnegie became increasingly pressed by nonunion competitors. His retreat from the ideas expressed in the *Forum* articles, culminating in the famous Homestead Lockout of 1892, symbolizes the triumph of economic concerns over culture. As Carnegie's economic situation changed, he began to base his labor policies on a different cultural ideal, telling the newly-nonunion employees of his Edgar Thomson Steel Works in 1889:

> There is not a man within the sound of my voice who may not rise to the highest position, nor is there any man who, from lack of the right qualities or failure to exercise them, may not sink to the lowest. Employees have chances to rise to higher work, to rise to foreman, to be superintendents [to] rise to be partners, and even be chairman in our service, if they prove themselves possessed with the qualities required [Carnegie, 1889, p. 29].

While it is often assumed that Carnegie single-handedly broke the Amalgamated Association of Iron and Steel Workers, the main trade union in this industry, he was actually one of the last employers in the industry who still recognized this union in 1892. His reluctance to act against the Amalgamted shows the lasting power of his previous worldview on vital labor policy decisions.

After Homestead, steel manufacturers operated in an environment that was almost entirely nonunion. For this reason, they faced few obstacles in creating labor policies that they thought would embody their values and simultaneously facilitate profit. The United States Steel Corporation, formed in 1901 when Carnegie sold out to the Morgan interests, was the leader of this new management-dominated industrial order. Led by Judge Elbert Gary, the Steel Corporation established an often-copied industrial relations system based on two seemingly opposite strategies. First, U.S. Steel and its imitators prevented unions from gaining a foothold in their mills through uncompromising anti-union tactics. Steelmakers hired detective agencies to provide replacement workers and armed guards during strikes and to spy on their employees. They blacklisted employees who showed any sign of collective behavior and created propoganda that deliberately fostered racial and ethnic tensions among their workforce. Industry leaders like Gary justified tactics like these in their public and private statements by arguing that they alone knew what was best for their workers. Steelmakers never questioned the social and moral costs of these tools because of the supposedly laudable reason for which they were used.

At the same time the steel industry was fighting organized labor with every weapon at its disposal, it was at the forefront of the welfare capitalism movement which swept American business in the early 20th century. The most elaborate and far-reaching welfare programs were at U.S. Steel, which began a pioneering stock subscription program in 1902, the so-called "Safety First" movement in 1906, and a corporation-wide pension plan in 1911. Steel firms specifically created these programs to promote individual achievement and loyalty to the firm, even though their reception by employees was often muted

[Rees, Chapter 4]. The reason for the limited effectiveness of welfare capitalism was that the vast majority of steel workers did not participate in or benefit from these programs. According to the Interchurch World Movement, an organization of civic-minded clergymen who investigated the industry's historic 1919 strike, "The bulk of employees – the unskilled and semi-skilled – have had simply no experience with company houses, 'welfare' and pensions, and their percentage of stock profits do not impress them" [Interchurch World Movement, 1920, p. 127]. The most expensive programs at U.S. Steel (like stock subscription and the pension plan) remained in place for years, despite limited participation and a very high financial cost. In these instances, employers were willing to promote their cultural agenda at the expense of the bottom line.

The dynamic between steel firms and their employees began to change during the World War I era, when the United States government got involved in the industry's labor relations for the first time. Pressure from the Wilson administration led to the first employee representation plans (or ERPs) in the steel industry. Better known as company unions, these organizations offered employees the appearance of collective bargaining in order to prevent government intervention in a firm's industrial relations. In fact, steel industry ERPs during this era were completely controlled by management. In this way, the company unions reflected management's desire to make its labor policy decisions unfettered by outside interference. The best evidence that ERPs were unable to satisfy the demands of most wartime steelworkers is the enthusiastic response of most workers to the 1919 strike organized by William Z. Foster and Chicago American Federation of Labor President John Fitzpatrick. That uprising of 250,000 workers, approximately half the industry's workforce, was only put down by a combination of permanent replacement workers, red-baiting, state militias, and the U.S. Army [Brody, 1987, p. 113].

After the war, the Harding administration embarrassed the bulk of the industry into abandoning the twelve-hour day. The industry had resisted this change for over a decade for both economic and cultural reasons. Shorter hours would have required paying more employees to do the same amount of work. Furthermore, since most steel workers were unwilling to take a one-third pay cut when they moved from the twelve-hour to the eight-hour shift, a new shift schedule would have in effect raised wages for a large percentage of employees in most plants. Steelmakers also resisted shorter hours because they feared it would promote laziness in workers. "A man is a lot better working those [extra] four hours than he is loafing," said one U.S. Steel executive in 1912 [Fitch, 1912, p. 17]. When the change came in 1923, the increase in productive efficiency that accompanied shorter hours more than compensated for the increase in costs at steel plants across the industry. This demonstrates that cultural fears had prevented the industry from making an important economically beneficial policy change. The strength of those fears is indicated by the fact that steel was the last major industry in America to abandon the twelve-hour day as the standard shift for its employees.

During the depression of the 1930s, the industry's attitude towards outside intervention changed. Steelmakers welcomed the financial benefits of New Deal recovery legislation, but continued to resist government-mandated collective bargaining. The National Industrial Recovery Act sanctioned collusion so as to inflate steel prices. This was a tremendous aid to the financial bottom line of an industry rocked by the Depression. Major steel firms followed the NRA code because of these munificent effects, but the Roosevelt administration's attempts to promote collective bargaining were still met by severe hostility. Section 7(a) of the NIRA required employers to give their employees the right to organize and bargain collectively through representatives of their own choosing, free from interference, restraint, or coercion. This provision spurred the organization of steelworkers nationwide, although fervent resistance by steelmakers made gains fleeting in this industry. More steel firms than ever created ERPs in order to avoid the requirements of Section 7(a). These company unions were largely successful at preventing steelworkers from organizing into independent unions during the early years of the New Deal.

After the formation of the Congress of Industrial Organizations and its Steel Workers Organizing Committee (SWOC), U.S. Steel's ideological resistance to trade unionism cracked. The Steel Corporation knew it could have fought organization if its was willing to pay the cost of a damaged reputation. However, a new generation of executives was now willing to consider true collective bargaining rather than company unions because of New Deal era labor legislation. The reformer John Fitch interviewed a number of U.S. Steel executives in 1936 and offered the following as a composite of their views on the union organizing then taking place in the firm: "Times have changed. New laws are on the statute books, many of them of a character that could never have been anticipated. We've had 7-a and now we have the Wagner law both of which prohibit discharching men for joining unions. We are not law-breakers. We go along with the government" [Fitch, 1936, p. 75]. These executives, particularly Chairman Myron Taylor, feared direct government involvement in their labor relations policies more than they feared recognizing an outside union in conjunction with other company-dominated organizations. This and the desire to assure continued economic production at a time when the industry was starting to recover explains why Taylor decided to recognize the SWOC in March 1937 even though there was no strike and the Committee had made only little progress organizing steelworkers [Rees, Chapter 7]. The failure of company unions to maintain a presence after this decision shows that management's efforts to inculcate their workers with the ethos of individual achievement were largely unsuccessful. The wake of this agreement marked the first time in forty-five years that a significant percentage of American steel workers were union members.

By studying labor relations from the perspective of employers, my work demonstrates that businessmen are just as fallible as the rest of us. Too often, business and labor historians assume that disembodied managers have complete information about the consequences of their policies and that any particular policy choice will provide the firm with the largest total profits.

Cultural forces complicated the profit-maximizing decisions of American steelmakers throughout the industry's nonunion era. Sometimes, as in the decision to resist the eight-hour day, cultural factors led steelmakers to enact economically irrational policies. Sometimes, as in the decision to recognize the SWOC in 1937, cultural factors led employees to choose one seemingly rational economic decision over another. Either way, only a close examination of all the forces affecting policy decisions can give scholars an adequate explanation of why companies acted as they did at any point in history.

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