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## INTRODUCTION

Herein is the fundamental difference between the Rockefeller plan and that of trade unions. One develops independence, the other relies on the graciousness and good will of the employer. There can be no compromise between the two theories, for if working men are to be really free, their right to regulate their own lives must be acknowledged.

FRANK MORRISON, SECRETARY OF THE AMERICAN FEDERATION OF LABOR<sup>1</sup>

In 1926, Ernest Richmond Burton “broadly defined” employee representation as “any established arrangement whereby the working force of a business concern is represented by persons recognized by both the management and the employees as spokesmen for the latter in conferences on matters of mutual interest.”<sup>2</sup> At that point employee representation plans (ERPs), or company unions as their critics called them, had been present in the United States for about two decades. The term “company union” has persisted to this day as a way to describe all non-union employee representation arrangements. It strongly suggests a quality present in many ERPs: management’s dominance in the operation of the plan. However, the term can be highly misleading because not all ERPs were autocratic.<sup>3</sup> Some observers cite Rockefeller’s decision to champion the Rockefeller Plan, the employee representation plan at the Colorado Fuel and Iron Company (CF&I), as a significant reform instituted as

penance for condoning the attitudes on the ground in Colorado that led to the tragic Ludlow Massacre. Labor historians, on the other hand, have tended to suggest that the plan was really an iron fist in a velvet glove, a socially acceptable way for John D. Rockefeller Jr. to keep the United Mine Workers of America (UMWA) away from CF&I yet still improve his and his company's reputation among workers and the general public.

Both positions are to some extent accurate. The tragic 1914 Ludlow Massacre led Rockefeller to become a liberal anti-unionist. Rather than fight independent trade unions with guns or injunctions, he chose to fight them with kindness. Rockefeller wanted his union to make the UMWA obsolete by doing what it did more effectively. Designed by Mackenzie King, the future prime minister of Canada, the plan offered CF&I workers rights they would not have had otherwise. It also became the vehicle for an elaborate welfare capitalism program. Unfortunately for Rockefeller, giving workers the carrot rather than the stick still failed to placate them in the long run, which says a great deal about the limits to what any ERP can achieve. Although they had substantially less power than management did, CF&I workers were still able to carve out useful benefits for themselves through the bargaining process the Rockefeller Plan created—many of which management had not originally intended to grant. Yet despite this success, most CF&I workers ultimately preferred an independent trade union to the kind of circumscribed bargaining the plan provided.

By creating an ERP, Rockefeller aspired to answer the “labor question,” namely, how to get workers to accept the difficult circumstances created by industrialization. However, as was the case with many other industrial relations visionaries (particularly the anti-union ones), his effort did not bear fruit. Instead, workers in both the company's coal fields and the steel mill chafed under the restrictions management placed on its labor organization. As a result, both sides of the business eventually opted for independent unions, and the ERP has largely been forgotten. In its day the Rockefeller Plan brought employee representation plans into public consciousness for the first time because of continued public interest in Ludlow. After CF&I introduced this arrangement in 1915, similar ERPs spread rapidly during World War I and reached all corners of American industry during the 1920s. These arrangements attained their greatest popularity during the New Deal years, when many companies used them

to fight legally mandated collective bargaining with independent trade unions. The Rockefeller Plan also had considerable influence in Canada, and its effects can still be seen in industrial relations practices in the United Kingdom, Japan, Germany, Australia, and (despite the prohibition on employer-dominated labor organizations contained in the 1935 National Labor Relations Act) the United States.<sup>4</sup>

Both sides of the labor-management divide can learn a great deal from the history of the Rockefeller Plan. Recently discovered documents from the Colorado Fuel and Iron Archives that describe the day-to-day operation of the Rockefeller Plan make it possible for the first time to closely examine and evaluate the relationship between labor and management during the ERP's existence. While trade unionists and businesspeople alike had preconceptions about what the Rockefeller Plan could or could not do, only a handful of outsiders ever saw it in operation. With the availability of documents detailing that operation, especially minutes of joint labor-management meetings, the words and actions of employee representatives and rank-and-file workers can be examined to see what they really thought of the arrangement.

Even a cursory look at the material in the CF&I Archives demonstrates that workers reacted to the plan in ways its originators did not anticipate. Many workers, especially skilled ones, appreciated the opportunity the Rockefeller Plan gave them to communicate their feelings about the terms and conditions of their employment and to benefit from management's largesse. Many other workers, particularly less-skilled employees who were often immigrants and nonwhite, recognized that the plan offered them little or nothing and ignored it entirely. Some workers expressed appreciation for the benefits of the plan but hostility toward management because its implementation limited their ability to express themselves.

The day before its introduction, Rockefeller suggested that the plan would "make strikes unnecessary and impossible."<sup>5</sup> He also repeatedly claimed that treating workers humanely would prove profitable for employers in the long run. These efforts to obtain stability and profitability failed miserably. Indeed, the failure to achieve stability contributed greatly to the failure to achieve profitability. Even a comparatively benevolent employee representation plan such as the Rockefeller Plan did not solve the company's labor problems because the plan's limitations

on freedom of action ultimately alienated even the most loyal employees. These tensions hurt the bottom line of a company that would have faced financial difficulties even if it had achieved a peaceful labor situation. Therefore, they help explain why CF&I entered receivership in 1933 and underwent bankruptcy reorganization in 1936. The hostile response to Rockefeller's employee representation plan likely played a major role in destroying the company's financial position. It is only fitting then that the Rockefeller family held the majority of the company's stock when bankruptcy occurred.

### **THE "HUMAN ELEMENT" IN INDUSTRY**

Sometime around 1920, Colorado Fuel and Iron published two cards printed on colored cardboard. One, "The Present Need and the New Emphasis Within Industry' or the Industrial Representation Plan and Leadership," was intended for foremen and superintendents. The other, "The Purpose and Principles of the Industrial Representation Plan and the Best Methods of Securing Maximum Benefit from Its Administration," was intended for employee representatives, the workers elected to represent labor's interests when bargaining with management. The company printed the cards to educate key participants in the plan about how they should carry out their duties. In both cases, these instructions reflected the difficulties management faced in testing the ideas behind the Rockefeller Plan. Indeed, the content of the cards reflects timeless complexities faced by anyone interested in influencing human behavior. The failure of the plan to have adequately addressed these complexities to that point explains why management needed to print them.

The card designed for employee representatives included a line about the underlying principle of the ERP: "The Industrial Representation Plan is based on the belief that the interests of the employee and the employer, as well as [those of] the public they both serve, are mutual and not antagonistic, and that these interests can best be furthered by co-operative effort. It assumes that every man desires only justice for himself and is equally willing that justice be done [for] all other parties."<sup>6</sup> But how could management convince workers that the plan was sincere in its call for cooperation? That is why the foremen and superintendents also needed instructions: they were the ones who most often dealt with employee

representatives. If low-level managers failed to treat workers on the other side of the bargaining table with respect, the employee representatives would not take the plan seriously. "Management constantly faces a two-fold problem," the other card explained. "First, that of Production; second, that of wisely directing the Human Element. The outstanding present need among men within industry is that of a real spirit of democracy actually at work all the time."<sup>7</sup> These sentiments embodied John D. Rockefeller Jr.'s philosophy of labor-management relations. "One of the reasons there are so many labor troubles is that we have forgotten the human element," Rockefeller told an interviewer in 1917. "Labor is being looked upon as a commodity—as part of an equipment—as something that may be bought and sold. We sometimes forget that we're dealing with human beings. . . . The big thing we've got to do is inject the spirit of brotherhood into the labor question. There is no other way."<sup>8</sup> For Rockefeller, employee representation was the best vehicle for bringing this spirit of brotherhood into industrial relations.

Rockefeller's philosophy worked less well in practice than it did in principle. For one thing, even if the Rockefeller Plan were a viable method for workers to communicate their problems to management, management could not force workers to use it or even to be honest with their bosses. Workers generally recognized that the power management held over them might adversely affect them if they made use of this arrangement. "Take it up with the representatives you say[!]" asked the chair of the strike committee at the steelworks during the 1919 dispute there. "It is just like bringing suit against the devil and holding court in hell."<sup>9</sup> Ben Selekman, who interviewed miners that same year, reported, "On my various visits to the mines, I have always mixed with the various groups of men, and attempted to sound them out on the R. Plan. They invariably say, 'To hell with the R. Plan, it is no good, it is one sided.'"<sup>10</sup> But this does not mean the Rockefeller Plan offered labor nothing of value.

CF&I wanted the plan to provide stability in its labor relations. Labor historians such as David Montgomery, for example, have covered the potential benefits of the Rockefeller Plan to management (assuming it worked as intended) but say little or nothing about the potential benefits to employees.<sup>11</sup> Workers and especially employee representatives at CF&I used both the power they had on the shop floor and management's paternalistic attitude toward them to gain many improvements through the

ERP. To automatically dismiss such victories as somehow tainted because these people chose to work within a flawed system does not do justice to the achievements.

Likewise, to automatically dismiss Rockefeller's ideas about workplace democracy as the self-serving rhetoric of a man who could afford to be generous would also be a mistake. Considerable evidence attests to Rockefeller's sincerity. As Bruce Kaufman has explained, he pressured other companies connected to his family to liberalize their industrial relations policies, supported employee representation at President Woodrow Wilson's Industrial Conference in 1919 despite opposition from other businesspeople, and created Industrial Relations Counselors, Inc., to help employers construct labor policies that reflected his humanistic views on labor issues.<sup>12</sup> Rockefeller also gave numerous public speeches detailing an intricate philosophy of industrial relations based on the ideas of Mackenzie King. Indeed, Rockefeller not only talked the talk of labor reform following the Ludlow Massacre, he lived the life of a Christian liberal. Under his direction the Rockefeller family gave millions of dollars to progressive ecumenical groups such as the YMCA and the Interchurch World Movement, and Rockefeller tried to influence those groups to adopt more modern stances on numerous economic issues.<sup>13</sup>

By the late 1910s, John D. Rockefeller Jr. had become the spokesperson among American businesspeople for liberal anti-unionism. As Howard Gitelman, no friend of Rockefeller, has explained:

Simply by continuing to advocate employee representation . . . Rockefeller came to appear more and more progressive. At first, this feat of seeming to move while actually standing still was an illusion, a mirage created by the chaotic rightward drift of a nation on the verge of panic. In time, however, as the political spectrum of the country shrank to the narrowest band of tolerance, the illusion became increasingly real. In a business environment presided over by the great steel industry [of] Babbitt, Elbert H. Gary, Rockefeller *was* something of a very modest liberal.<sup>14</sup>

In fact, Gary Dean Best has argued that the movement for employee representation Rockefeller championed "can be legitimately regarded as a part of the Progressive movement."<sup>15</sup> So while labor historians tend to paint the worst possible portrait of the industrialist, the way one assesses John D. Rockefeller Jr. actually depends upon one's point of comparison.

While Rockefeller appears reactionary when compared with the leaders of unionized coal firms in the East, he seems liberal next to U.S. Steel's Elbert Gary. The only thing the workers cared about, however, was what the Rockefeller Plan offered them. Because of the great damage to his family's reputation as a result of Ludlow, the plan offered workers a great deal. While CF&I employees might have done better had they joined independent unions, many actively participated in the Rockefeller Plan because it was the best option available. Both the company's coal miners and steelworkers were better off working under the Rockefeller Plan than they would have been working under no union at all.

Nevertheless, CF&I employees had to participate in the plan in order to benefit from it. Unfortunately for management, many rank-and-file CF&I workers at both the mines and the mill chose not to take part in the plan or never even knew about it. Many employees objected to steps management took to prevent genuine unions from emerging. In fact, no matter how beneficial or altruistic any management-dominated union might have been, ERPs such as the one at CF&I inevitably paled in comparison to independent trade unions from the workers' perspective because they could not offer workers the freedom to act independent of management. Whenever employee representatives at CF&I tested management's willingness to make concessions, their failures reminded them that real trade unions imposed no such restrictions, thereby whetting their desire to join independent organizations down the line. This explains why anti-union stalwarts such as Elbert Gary opposed employee representation in all circumstances.<sup>16</sup> Creating an employee representation plan was a sign of weakness. Usually, companies that bargained with such organizations were compelled to do so either by the federal government or by the success of an outside union trying to organize them. Executives like Gary were unwilling to risk having a pseudo-union turn into the real thing. From Gary's standpoint, Rockefeller's willingness to experiment with ERPs was therefore dangerously radical.

Not coincidentally, independent trade unions opposed ERPs for reasons opposite Gary's. It is ironic then that the person who most effectively argued that "company unions" such as the Rockefeller Plan could actually help independent trade unions was American Federation of Labor (AFL) president Samuel Gompers. As Gompers argued shortly after the Rockefeller Plan debuted in 1915, "[T]he Rockefeller unions will help—

they will be an educational opportunity. Whenever men meet together to talk over working conditions and ways of betterment, there enters into their lives an incalculable opportunity for progress. Mr. Rockefeller is laying the foundations upon which real unions will be developed.”<sup>17</sup> While Gompers recognized that the Rockefeller Plan was an anti-union device, he thought management’s failure to consider the sense of independence and dignity that membership in an independent trade union provided would eventually bring CF&I workers over to those unions. Gompers changed his mind about employee representation plans in 1919 when workers trying to organize the steel industry introduced a resolution against them at the AFL convention, but his first instinct ultimately proved correct, at least in the case of the Rockefeller Plan.

### **“THEY ARE BETTER BARGAINERS THAN WE ARE”**

When the National Industrial Recovery Act (NIRA) passed in 1933, many employers throughout the United States scrambled to establish ERPs to block their workers from joining independent unions. The language in Section 7(a) of that law gave workers the right to join unions of their own choosing and explicitly protected them from having to join employer-dominated organizations. Apparently democratic employee representation plans gave bosses a way to follow the letter of the law without incurring the perceived drawbacks of recognizing independent unions in their shops. Often merely union-avoidance strategies, the growth of these ERPs for this purpose at this time reinforced opposition to all “company unions” within labor movement circles.<sup>18</sup> When New York senator Robert Wagner offered the bill that would become the National Labor Relations Act (NLRA) in 1935, he included a similar provision to the one in NIRA Section 7(a) that outlawed management-dominated unions. Employers generally waited until the Supreme Court’s Jones and Laughlin decision upheld the constitutionality of the NLRA before abandoning these anti-union efforts.<sup>19</sup> That decision marked the end of “company unions” in the traditional sense of the term. The labor movement has not missed these organizations.

For the most part, labor historians have taken up where the unions left off, condemning the employee representation plans of the NLRA era in part to oppose modern legislation that threatened to loosen restric-

tions on such organizations. Bruce Kaufman has organized the chorus of academic criticism of ERPs into four arguments: they were created as union-avoidance strategies, they were “sham” organizations (meaning workers had little power), they could not protect employee interests, and they were significant barriers to the growth and expansion of trade unionism.<sup>20</sup> As a result of such characterizations, ERPs have received little coverage from labor historians compared with their historical significance as an anti-union tool.<sup>21</sup> While all these criticisms are valid with respect to many ERPs, particularly those instituted during the 1930s, they fit the Rockefeller Plan less well. In fact, this academic hostility toward “company unions” has largely hidden the fact that not all ERPs were the same.

The history of the Rockefeller Plan demonstrates that employee organizations do not have to be free from employer influence to improve workers’ lives. As the Federal Council of Churches explained in its study of the 1927–1928 Colorado mine strike, “It is generally conceded even by critics that a great improvement has been made in living and working conditions [at CF&I] during the life of the plan.”<sup>22</sup> Nevertheless, workers’ attitudes toward the plan depended upon each individual’s particular situation. Independent trade unions, while generally good for workers who could join them, did not necessarily act in the best interests of non-union workers such as those at CF&I. The survival of independent unions depended upon workers demanding representation by them rather than accepting half-measures like an ERP. Many non-union workers actually appreciated the improvements their bosses were willing to make in the terms and conditions of their employment through ERPs. John R. Commons compared the AFL’s eventual position on employee representation plans to “revolutionary socialism.” He thought labor leaders were in effect saying, “It is better to let conditions get as bad as possible because only then is revolution attractive to the oppressed.”<sup>23</sup>

Some miners and steelworkers at CF&I had little desire to wait for the entire industrial relations system to change so their working lives could improve. As one employee representative at a Fremont County mine explained in 1927 (during a meeting he did not know was being transcribed), “I have been an officer in the United Mine Workers, but when the Industrial Plan came along and gave us practically what we were asking for through that organization, I was satisfied with it as a scientific

way to bargain collectively.”<sup>24</sup> Even though it took many years for the Rockefeller Plan to become an independent union in both segments of CF&I’s business, miners and steelworkers used the voice it gave them to significantly improve the terms and conditions of their employment in the interim. From the workers’ point of view, immediate half-measures were better than accepting nothing from their employer until the time for independent unions arrived.

While those who agree with the labor movement’s traditional opposition to ERPs might see the cost of these improvements as a small price for management to pay in exchange for a pliant workforce, they should recognize that CF&I miners and steelworkers remained remarkably militant during the years the Rockefeller Plan was in effect. In fact, the Rockefeller Plan did not end labor-management tension at CF&I; it merely redirected much of it into a structured format. In the coal mines, these tensions frequently spilled over into strikes for organization. Even in the steel mill, whose workers had no viable outside union to join, employee representatives consistently pressed demands on management in the strongest possible terms. These were not the management “stooges” who gave employee representation plans a bad name during the 1930s. CF&I employees did their best to take the structure management imposed upon them and make it operate like the independent outside unions they did not have. In response to these efforts, management continually made concessions in both the mines and the mill to keep workers happy. “They are better bargainers than we are,” explained steelworks manager Louis F. Quigg to the National Labor Relations Board in 1938. “They were always better bargainers, and that is what they wanted.”<sup>25</sup> The chapters in this book present abundant evidence that Quigg’s assessment was correct.

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The circumstances that led Colorado Fuel and Iron to implement the Rockefeller Plan, the philosophy behind it, and the specific details of the plan are very important for understanding its successes and failures. Chapter 1 discusses the firestorm of public criticism that descended upon John D. Rockefeller Jr. following the Ludlow Massacre, specifically the withering assault on his reputation led by the United Mine Workers of America and its supporters. Rockefeller’s desire to prevent future criti-

cism largely explains why CF&I was so much more accommodating to workers than were other employers who created employee representation plans after CF&I did so. Chapter 2 covers John D. Rockefeller Jr. and Mackenzie King's philosophy of industrial relations. Rockefeller's belief in the mutual interests of labor and management (which he learned from King) separated him not only from the leaders of independent labor unions but also from most other industrialists of the day who never considered treating labor as anything but a commodity. This belief also explains management's willingness to make many concessions to employees under the auspices of the plan. Yet while the two men eventually agreed on almost everything, King never convinced Rockefeller to stop treating employee representation as a substitute for independent unions. Chapter 3 closely examines the structure of the plan, particularly those provisions that were rare or unique in company-initiated employee representation plans of the era, such as the outside arbitration clause. The chapter also highlights the close relationship between the operation of the ERP and CF&I's pioneering welfare capitalism program.

Chapter 4 discusses the response to the plan among different groups of CF&I employees. Racial and ethnic tensions in the mines and mill help explain why some CF&I employees responded differently to the ERP than others did. Skilled white workers used the plan the most in both the mines and the mill because they had the tenure and influence to win positions as employee representatives year after year. Unfortunately, they used the positions to benefit those like them rather than to help the entire workforce, thereby fomenting the kind of unhappiness the plan had been created to prevent. Likewise, different conditions of employment in the steel and coal mining industries explain the relative willingness of aggrieved CF&I workers to express their concerns on the job or on the picket line, as well as their success at getting management to change those conditions. Chapter 5 discusses how the plan played out in the mines, based primarily on the minutes of meetings held while the Rockefeller Plan was in force, in both calm periods and the frequent strikes during its history. Chapter 6 considers the operation of the plan in the steel mill. Many of the differences between the way the plan operated there and how it operated in the coal mines stem from the absence of a viable independent union like the UMWA that steelworkers could aspire to join. Yet while steelworkers walked off the job only once during the existence of the

Rockefeller Plan at the Minnequa Works, steelworkers were even more militant than the miners in using the ERP as a vehicle to make demands on management.

The rapid decline of the plan from experiment in corporate liberalism to typical anti-union device began during the 1927–1928 Colorado mine strike, which was led by the Industrial Workers of the World (IWW). Chapter 7 examines how the IWW used the Rockefeller Plan as an organizing tool prior to its 1927–1928 strike and explains the relationship between the plan and the successful organizing drive by the UMWA that led to the arrangement being eliminated from CF&I mines in 1933. Chapter 8 considers the operation of the plan in the steel mill during the 1930s and the struggle by the Steel Workers Organizing Committee to organize the mill both on the shop floor and in court. The Conclusion looks at the way the story of the Rockefeller Plan relates to the debate over the “company union” clause in the National Labor Relations Act, an important subject in industrial relations over the past twenty years. Taken as a whole, the history of the Rockefeller Plan is not the story of ceaseless oppression and stifled militancy its critics might imagine, but it is also not the story of the paternalist panacea for labor unrest John D. Rockefeller Jr. hoped it would be.