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REPRESENTATION
IN INDUSTRY

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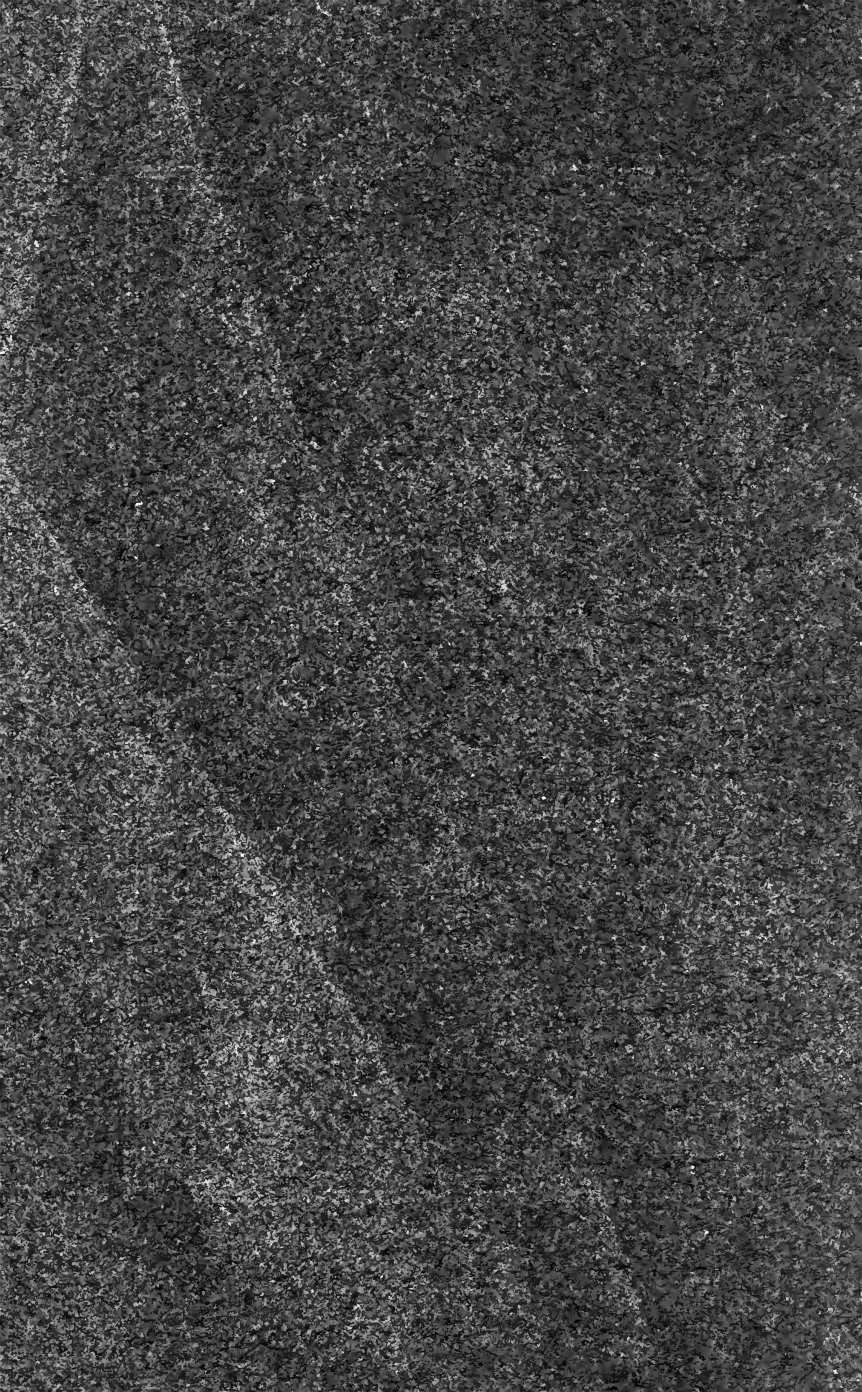
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Industry

BY
JOHN D. ROCKEFELLER, JR.



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Address before the
War Emergency and Reconstruction Conference
of the
Chamber of Commerce of the United States
Atlantic City, N. J.
December 5, 1918

Representation in Industry

I

AT last the war is over. Less than a month ago every nerve was being strained for the purpose of enlisting, training and equipping four million men to reinforce, as speedily as possible, the battle-worn but unyielding forces of our Allies. Every wheel in industry was turning at top speed to supply munitions and the necessities of war.

The peoples engaged in the conflict stood ready to stake their all on the outcome of the struggle. The future of civilization hung in the balance. Was the iron heel to trample ruthlessly on humanity, or was Right to triumph over Might?

In the contest, millions of lives have been sacrificed; billions of dollars expended; rich treasure destroyed; cities, towns and villages laid waste; vast stretches of country desolated. No one can estimate the human suffering, misery and sorrow involved. But now, thanks to

the indomitable courage of the allied nations, backed by our gallant troops, the issue has been fought out and tyranny overthrown.

**Co-operation—
A Lesson of the War**

The war has taught many lessons; one of the most useful is the value of co-operation.

The successful outcome of the conflict was largely the result of the most complete co-operation. Irrespective of race, color or creed, men worked and fought and suffered and died, side by side. The kinship of humanity has come to be understood as never before. Common danger, common toil, common suffering have developed the spirit of brotherhood.

Today we stand at the threshold of the period of reconstruction. As we address ourselves to the grave problems which confront us, problems both national and international, we may look for success in their solution just in so far as we continue to be animated by the spirit of co-operation and brotherhood. The hope of the future lies in the perpetuation of that spirit. Only as those who sit around the peace table are imbued with it, will their efforts result in an outcome at all commensurate with the price which has been paid for peace.

In international affairs America has seen clearly the fundamentals of reconstruction, and has sought to enhance human well-being by

co-operation among nations and the establishment of conditions which make co-operation possible. It is to be hoped that upon the problems of national reconstruction she will bring to bear the same clearness of vision and the same high purpose. Among these problems none is more important than that of industry, none more pressing, since industry touches almost every department of life. It is this theme, or, more particularly, the one phase, "Representation in Industry," that I desire briefly to develop.

Some Fundamental Questions

We must ask ourselves at the outset certain fundamental questions:

First—

What is the purpose of industry?

Shall we cling to the conception of industry as an institution, primarily of private interest, which enables certain individuals to accumulate wealth, too often irrespective of the well-being, the health and the happiness of those engaged in its production?

Or shall we adopt the modern viewpoint and regard industry as being a form of social service, quite as much as a revenue-producing process?

Is it not true that any industry, to be permanently successful, must insure to Labor adequately remunerative employment under proper working and living conditions, to Capital a fair return upon the money invested, and to the Community a useful service?

The soundest industrial policy is that which has constantly in mind the welfare of employes as well as the making of profits, and which, when human considerations demand it, subordinates profits to welfare. Industrial relations are essentially human relations.

It is therefore the duty of everyone entrusted with industrial leadership to do all in his power to improve the conditions under which men work and live.

The day has passed when the conception of industry as chiefly a revenue-producing process can be maintained. To cling to such a conception is only to arouse antagonisms and to court trouble.

In the light of the present, every thoughtful man must concede that the purpose of industry is quite as much the advancement of social well-being as the accumulation of wealth. It remains none the less true, however, that to be successful industry must not only serve the community and the workers adequately, but must also realize a just return on capital invested.

Next, we must ask ourselves—

Who are the parties to industry?

The parties to industry are four in number: they are Capital, Management, Labor and the Community.

Capital is represented by the stockholders and is usually regarded as embracing Management.

Management is, however, an entirely separate and distinct party to industry—its function is essentially administrative; it comprises the executive officers, who bring to industry technical skill and managerial experience.

Labor consists of the employes.

Labor, like Capital, is an investor in industry, but Labor's contribution, unlike that of Capital, is not detachable from the one who makes it, since it is in the nature of physical effort and is a part of the worker's strength and life.

Here the list usually ends. The fourth party, namely, the Community, whose interest is vital, and in the last analysis controlling, is too often ignored.

The Community's right to representation in the control of industry and in the shaping of industrial policies is similar to that of the other parties. Were it not for the Community's contribution, in maintaining law and order, in providing agencies of transportation and com-

munication, in furnishing systems of money and credit and in rendering other services—all involving continuous outlays—the operation of Capital, Management and Labor would be enormously hampered, if not rendered well nigh impossible.

The Community, furthermore, is the consumer of the product of industry and the money which it pays for the product reimburses Capital for its advances and ultimately provides the wages, salaries and profits that are distributed among the other parties.

Finally we must inquire

*What are the relations
between the four parties to industry?*

It is frequently maintained that the parties to industry must necessarily be hostile and antagonistic. I am convinced that the opposite is true; that they are not enemies but partners; and that they have a common interest.

Moreover, success cannot be brought about through the assumption by any one party of a position of dominance and arbitrary control; rather it is dependent upon the co-operation of all four. Partnership, not enmity, is the watchword.

II

If co-operation between the parties to industry is sound business and good social economics, why, then, is antagonism so often found in its stead? The answer is revealed in a survey of the development of industry.

Loss of the Personal Relation

In the early days of Industry, the functions of Capital and Management were not infrequently combined in the one individual, who was the employer. He in turn was in constant touch with his employes. Together they formed a vital part of the community. Personal relations were frequent and mutual confidence existed. When differences arose they were quickly adjusted.

As industry developed, aggregations of capital larger than a single individual could provide, were required. In answer to this demand, the corporation, with its many stockholders, was evolved. Countless workers took the place of the handful of employes of earlier days. Plants scattered all over the country superseded the single plant in a given community.

Obviously, this development rendered impossible the personal relations which had existed

in industry, and lessened the spirit of common interest and understanding. Thus the door was opened to suspicion and distrust; enmity crept in; antagonisms developed. The parties to industry came to view each other as enemies instead of as friends and partners, and to think of their interests as antagonistic rather than common.

It is to be regretted that there are capitalists who regard Labor as their legitimate prey, from whom they are justified in getting all they can for as little as may be. It is equally to be deplored that on the part of Labor there is often a feeling that it is justified in wresting everything possible from Capital. Where such attitudes have been assumed, a gulf has opened between Capital and Labor which has continually widened.

Thus the two forces have come to work against each other, each seeking solely to promote its own selfish ends. As a consequence have come, all too frequently, the strike, the lockout and other incidents of industrial warfare.

The Worker's Sense of Isolation and Detachment

Then, too, as industry has become increasingly specialized, the workman of today, instead of following the product through from start to finish and being stimulated by the feeling that he is the sole creator of a useful article, as was more or less the case in early days, now devotes

his energies for the most part to countless repetitions of a single act or process, which is but one of perhaps a hundred operations necessary to transform the raw material into the finished product.

The worker loses sight of the significance of the part he plays in industry and feels himself to be merely one of many cogs in a wheel. All the more, therefore, is it necessary that he should have contact with men engaged in other processes and fulfilling other functions in industry, that he may still realize he is a part, and a necessary though it may be inconspicuous part, of a great enterprise.

In modern warfare, those who man the large guns find the range not by training the gun on the object which they are seeking to reach, but in obedience to a mechanical formula which is worked out for them. Stationed behind a hill or mound, they seldom see the object at which their deadly fire is directed. One can readily imagine the sense of detachment and ineffectiveness which must come over these men.

But when the airplane, circling overhead, gets into communication with the gunner beneath and describes the thing to be accomplished and the effectiveness of the shot, a new meaning comes into his life. In a second he has become a part of the great struggle. He knows that his efforts are counting, that he is helping to

bring success to his comrades. There comes to him a new enthusiasm and interest in his work.

The sense of isolation and detachment from the accomplishments of industry, which too often comes to the workers of today, can be overcome only by contact with the other contributing parties. Where such contact is not possible directly, it must be brought about indirectly through representation. In this way only can common purpose be kept alive, individual interests safeguarded and the general welfare promoted.

The co-operation in war service of Labor, Capital, Management and Government has afforded a striking and most gratifying illustration of this truth.

**Basic Principles
Always Applicable**

The basic principles governing the relations between the parties to industry are as applicable in the successful conduct of industry today as in earlier times.

The question which now confronts the student of industrial problems is how to re-establish personal relations and co-operation in spite of changed conditions. The answer is not doubtful or questionable, but absolutely clear and unmistakable: It is, through adequate representation of the four parties in the councils of industry.

III

Various methods of representation in industry have been developed, conspicuous among which are those of labor unions and employers' associations.

As regards the organization of Labor, it is just as proper and advantageous for Labor to associate itself into organized groups for the advancement of its legitimate interests as for Capital to combine for the same objects. Such associations of Labor manifest themselves in collective bargaining, in an effort to secure better working and living conditions, in providing machinery whereby grievances may easily and without prejudice to the individual be taken up with the Management. Sometimes they provide benefit features, sometimes they seek to increase wages, but whatever their specific purpose, so long as it is to promote the well-being of the employes, having always due regard for the just interests of the employer and the public, leaving every worker free to associate himself with such groups or to work independently, as he may choose, they are to be encouraged.

But organization is not without its dangers. Organized Capital sometimes conducts itself in an unworthy manner, contrary to law and

in disregard of the interest both of Labor and the public. Such organizations cannot be too strongly condemned or too vigorously dealt with. Although they are the exception, such publicity is generally given to their unsocial acts that all organizations of Capital, however rightly managed or broadly beneficent, are thereby brought under suspicion.

Likewise it sometimes happens that organizations of Labor are conducted without just regard for the rights of the employer or of the public; methods and practices are adopted which, because unworthy or unlawful, are deserving of public censure. Such organizations of Labor bring discredit and suspicion upon other organizations which are legitimate and useful, just as is the case with improper organizations of Capital, and they should be similarly dealt with.

We ought not, however, to allow the occasional failure in the working of the principle of the organization of Labor to prejudice us against the principle itself, for the principle is fundamentally sound.

In the further development of the organization of Labor and of large business, the public interest as well as the interest of Labor and of Capital will be furthest advanced by whatever stimulates every man to do the best work of which he is capable; by a fuller recognition of the common interests of employers and employed;

and by an earnest effort to dispel distrust and hatred and to promote good-will.

**The Need for Fuller Representation
of Labor and Capital**

Labor unions have secured for Labor in general many advantages in hours, wages and standards of working conditions. A large proportion of the workers of the country, however, are outside of these organizations, and unless somehow represented are not in a position to bargain collectively. Therefore, representation of Labor to be adequate must be more comprehensive and all inclusive than anything thus far attained.

Representation on the employers' side has been developed through the establishment of trade associations, the purpose of which is to discuss matters of common interest and to act in so far as is legally permissible and to the common advantage, along lines that are generally similar. But here also representation is inadequate. Many employers do not belong to employers' associations.

**Representation of Labor and Capital
through the War Labor Board**

Since the United States went into the war, the representation of both Labor and Capital in common councils has been brought about through the War Labor Board, composed equally of men

from the ranks of Labor and Capital, together with representatives of the public. When differences have arisen in industries where there was no machinery to deal with such matters, the War Labor Board has stepped in and made its findings and recommendations. In this way, relatively continuous operation has been made possible and the resort to the strike and lockout has been less frequent.

Industrial Investigations in England

In England there have been made during the past year three important Government investigations and reports looking toward a more complete program of representation and co-operation on the part of Labor and Capital. The first is commonly known as the Whitley Report, made by the Reconstruction Committee, now the Ministry of Reconstruction, through a Subcommittee on Relations between Employers and Employed, of which the Rt. Hon. J. H. Whitley, M.P., was Chairman.

The Principle of Representative Government Applied to Industry

To a single outstanding feature the Whitley Report owes its distinction. It applies to the whole of industry the principle of representative government. In brief, its recommendations are that in the various industries and trades there should be formed joint industrial councils—

national, district and "works." Labor and Capital are to be equally represented in each, and the councils presided over by impartial or neutral officers.

These recommendations are of additional interest and value in that at once the existing forms of organization, both of Labor and Capital, are availed of and made the basis for the new co-operative councils, with such additions only as may be necessary.

Features of the Whitley Report

The national councils would be composed of representatives of the national trades unions on the one hand and representatives of the national employers' associations on the other.

District councils would include representatives of district trades unions and employers' associations.

In the works councils or works committees, as they are commonly called, representatives of employers and employes would sit together in joint conference and would be in close co-operation with the district and national councils.

The function of the works committee is to establish better relations between employers and employed by granting to the latter a larger share in the consideration of matters with which they are concerned.

The Whitley Plan seeks to unite the organizations of Labor and of Capital by a bond of common interest in a common venture; it changes at a single stroke the attitude of these powerful aggregations of class interest from one of militancy to one of social service; it establishes a new relation in industry. "Problems old and new," says the report, "will find their solution in a frank partnership of knowledge, experience and good-will."

**The Report of the Commission
on Industrial Unrest**

Another investigation and report was made by a Commission on Industrial Unrest, appointed by the Prime Minister. This Commission made, among others, the following interesting recommendations:

1. That the principle of the Whitley Report as regards industrial councils be adopted.
2. That each trade should have a constitution.
3. That Labor should take part in the affairs of industry as partners rather than as employes in the narrow sense of the term.
4. That closer contact should be set up between employers and employed.

**The Report of the
Ministry of Labor**

The third report was prepared by the Ministry of Labor. This report deals with the constitu-

tion and operation of works committees in a number of industries. It is a valuable treatise on the objects, functions and methods of procedure of joint committees.

These reports, together with a report on reconstruction made by the British Labor party, outlining its reconstruction program—a most comprehensive and thoughtful document—indicate something of the extent and variety of the study which has been given to the great problem of industrial reconstruction in England.

All point toward the need of more adequate representation of Labor in the conduct of industry and the importance of closer relations between Labor and Capital.

**The Report of the
Garton Foundation**

Further light has been thrown on the general questions treated by these inquiries in an able report made by the Garton Foundation on "The Industrial Situation After the War." This report is a study of the more permanent causes of industrial friction and inefficiency, and of the means by which they may be removed or their action circumscribed.

IV

A method of representation similar to that suggested in the Whitley Report, though less comprehensive, and which is constructed from the bottom up, has been in operation for varying periods of time in a number of industries in this country, including the Standard Oil Company of New Jersey, the Colorado Fuel & Iron Company, the Consolidation Coal Company and others.

The Principle of Representation as Applied to Certain American Industries

This plan of representation is worthy of serious consideration. It begins with the election of representatives in a single plant, and is capable of indefinite development to meet the complex needs of any industry and of wide extension so as to include all industries. Equally applicable in industries where union or non-union labor or both are employed, it seeks to provide full and fair representation to Labor, Capital and Management, taking cognizance of the Community.

Thus far it has developed a spirit of co-operation and good-will which commends it to both employer and employe.

**Procedure in Effecting Co-operation
Through Representation**

The outstanding features of this plan of industrial representation are as follows:

Representatives chosen by the employes in proportion to their number, from their fellow workers in each plant, form the basis of the plan.

Joint committees, composed of equal numbers of employes or their representatives and of officers of the company are found in each plant or district.

These committees deal with all matters pertaining to employment, and working and living conditions, including questions of co-operation and conciliation, safety and accident, sanitation, health and housing, recreation and education.

Joint conferences of representatives of employes and officers of the company are held in the various districts several times each year.

There is also an annual joint conference, at which reports from all districts are received and considered.

Another important feature of the plan is an officer known as the President's Industrial Representative, whose duty it is to visit the plants currently and confer with the employes'

representatives, as well as to be available always for conference at the request of the representatives.

Thus the employes, through their representatives chosen from among themselves, are in constant touch and conference with the Management and representatives of the stockholders in regard to matters pertaining to their common interest.

**Procedure in Matters
Requiring Adjustment**

The employes' right of appeal is a third outstanding feature of the plan. Any employe with a grievance, real or imaginary, may go with it at once to his representatives.

The representatives not infrequently find there is no ground for the grievance and are able so to convince the employe.

But if a grievance does exist, or dissatisfaction on the part of the employe continues, the matter is carried to the local boss, foreman or superintendent, with whom in the majority of cases it is amicably and satisfactorily settled.

Further appeal is open to the aggrieved employe, either in person or through his representatives, to the higher officers and to the president.

If satisfaction is not to be had from the company, the court of last appeal may be the Industrial Commission of the State, the State Labor Board, or a committee of arbitration.

Experience shows that the vast majority of difficulties which occur in an industry arise between the workmen and the subordinate officers who are in daily contact with them. Petty officials are sometimes arbitrary, and it is by their attitude and action that the higher officers and the stockholders are judged.

Obviously the right of appeal from the decisions of subordinate officials is important, even if seldom availed of, because it tends of itself to modify their attitude.

A further feature of the plan is what may be termed the Employes' Bill of Rights. This covers such matters as the right to caution and suspension before discharge, except for such serious offenses as are posted; the right to hold meetings at appropriate places outside of working hours; the right without discrimination to membership or non-membership in any society, fraternity or union; and the right of appeal.

Some of the Results of Representation

Where this plan has been in operation for a considerable length of time, some of the results obtained are:

First. Uninterrupted operation of the plants and continuous employment of the workers, resulting in larger returns for both Capital and Labor.

Second. Improved working and living conditions.

Third. Frequent and close contact between employes and officers.

Fourth. The elimination of grievances as disturbing factors.

Fifth. Good-will developed to a high degree.

Sixth. The creation of a community spirit.

Furthermore, the plan has proved an effective means of enlisting the interest of all parties to industry, of reproducing the contacts of earlier days between employer and employe, of banishing misunderstanding, distrust and enmity, and securing co-operation and the spirit of brotherhood.

Under its operation, the participants in industry are being convinced of the soundness of the proposition that they are fundamentally friends and not enemies, that their interests are common, not opposed. Moreover, prosperity, goodwill and happiness are resulting. Based as the plan is upon principles of justice to all, its success can be counted on so long as it is carried out in a spirit of sincerity and fair play.

**Representation in Industry Capable
of Widest Expansion**

Here, then, would seem to be a method of providing representation which is just, which is

effective, which is applicable to all employes whether organized or unorganized, to all employers whether in associations or not, which does not compete or interfere with existing organizations or associations, and which, while developed in a single industrial corporation as a unit, may be expanded to include all corporations in the same industry and ultimately all industries.

Just what part labor organizations and employers' associations can best take in such a plan remains to be worked out, but certain it is that some method should be devised which will profit to the fullest extent by the experience, the strength and the leadership of these groups.

While doubtless defects will appear in this plan and other methods more successfully accomplishing the same end may be developed, at least it is proving that in unity there is strength, and that a spirit of co-operation and brotherhood in industry is not only idealistically right but practically workable.

V

If the points which I have endeavored to make are sound, might not the four parties to industry subscribe to an Industrial Creed somewhat as follows?

1. I believe that Labor and Capital are partners, not enemies; that their interests are common, not opposed; and that neither can attain the fullest measure of prosperity at the expense of the other, but only in association with the other.

2. I believe that the Community is an essential party to industry and that it should have adequate representation with the other parties.

3. I believe that the purpose of industry is quite as much to advance social well-being as material prosperity; that, in the pursuit of that purpose, the interests of the Community should be carefully considered, the well-being of employes fully guarded, Management adequately recognized and Capital justly compensated, and that failure in any of these particulars means loss to all four parties.

4. I believe that every man is entitled to an opportunity to earn a living, to fair wages, to reasonable hours of work and proper working conditions, to a decent home, to the opportunity to play, to learn, to worship and to love, as well as to toil, and that the responsibility rests as heavily upon industry as upon government or society, to see that these conditions and opportunities prevail.

5. I believe that diligence, initiative and efficiency, wherever found, should be encouraged and adequately rewarded, and that indolence, indifference and restriction of production should be discountenanced.

6. I believe that the provision of adequate means of uncovering grievances and promptly

adjusting them, is of fundamental importance to the successful conduct of industry.

7. I believe that the most potent measure in bringing about industrial harmony and prosperity is adequate representation of the parties in interest; that existing forms of representation should be carefully studied and availed of insofar as they may be found to have merit and are adaptable to conditions peculiar to the various industries.

8. I believe that the most effective structure of representation is that which is built from the bottom up; which includes all employes, which starts with the election of representatives and the formation of joint committees in each industrial plant, proceeds to the formation of joint district councils and annual joint conferences in a single industrial corporation, and admits of extension to all corporations in the same industry, as well as to all industries in a community, in a nation, and in the various nations.

9. I believe that the application of right principles never fails to effect right relations; that "the letter killeth but the spirit giveth life"; that forms are wholly secondary, while attitude and spirit are all important; and that only as the parties in industry are animated by the spirit of fair play, justice to all and brotherhood, will any plan which they may mutually work out succeed.

10. I believe that that man renders the greatest social service who so co-operates in the organization of industry as to afford to the largest number of men the greatest opportunity for self development and the enjoyment of those benefits which their united efforts add to the wealth of civilization.

VI

In the days when kings and queens reigned over their subjects, the gratification of the desires of those in high places was regarded as of supreme moment, but in these days the selfish pursuit of personal ends at the expense of the group can and will no longer be tolerated.

Men are rapidly coming to see that human life is of infinitely greater value than material wealth; that the health, happiness and well-being of the individual, however humble, is not to be sacrificed to the selfish aggrandizement of the more fortunate or more powerful.

Modern thought is placing less emphasis on material considerations. It is recognizing that the basis of national progress, whether industrial or social, is the health, efficiency and spiritual development of the people.

Never was there a more profound belief in human life than today. Whether men work with brain or brawn, they are human beings, and are much alike in their cravings, their aspirations, their hatreds, and their capacity for suffering and for enjoyment.

**The Attitude of Leaders
in the Period of Reconstruction**

As the leaders of industry face this period of reconstruction, what will their attitude be?

Will it be that of the standpatters, who ignore the extraordinary changes which have come over the face of the civilized world and have taken place in the minds of men; who, arming themselves to the teeth, attempt stubbornly to resist the inevitable and invite open warfare with the other parties in industry; and who say, "What has been and is, must continue to be—with our backs to the wall we will fight it out along the old lines or go down in defeat"?

Those who take such an attitude are wilfully heedless of the fact that its certain outcome will be financial loss, general inconvenience and suffering, the development of bitterness and hatred, and in the end submission to far more drastic and radical conditions imposed by legislation, if not by force, than could now be amicably arrived at through mutual concession in friendly conference.

Or will their attitude be one in which I myself profoundly believe, which takes cognizance of the inherent right and justice of the principle underlying the new order; which recognizes that mighty changes are inevitable, many of them desirable; and which does not wait until forced to adopt new methods, but takes the lead in calling together the parties to industry for a round-table conference to be held in a spirit of justice, fair play and brotherhood, with a view to working out some plan of co-operation which will

insure to all those concerned adequate representation, and afford to Labor an opportunity to earn a fair wage under such conditions as shall leave time not alone for food and sleep, but also for recreation and the development of the higher things of life?

**The Opportunity for Clear
Vision and Broad Sympathy**

Never was there such an opportunity as exists today for the industrial leader with clear vision and broad sympathy permanently to bridge the chasm that is daily gaping wider between the parties to industry, and to establish a solid foundation for industrial prosperity, social improvement and national solidarity.

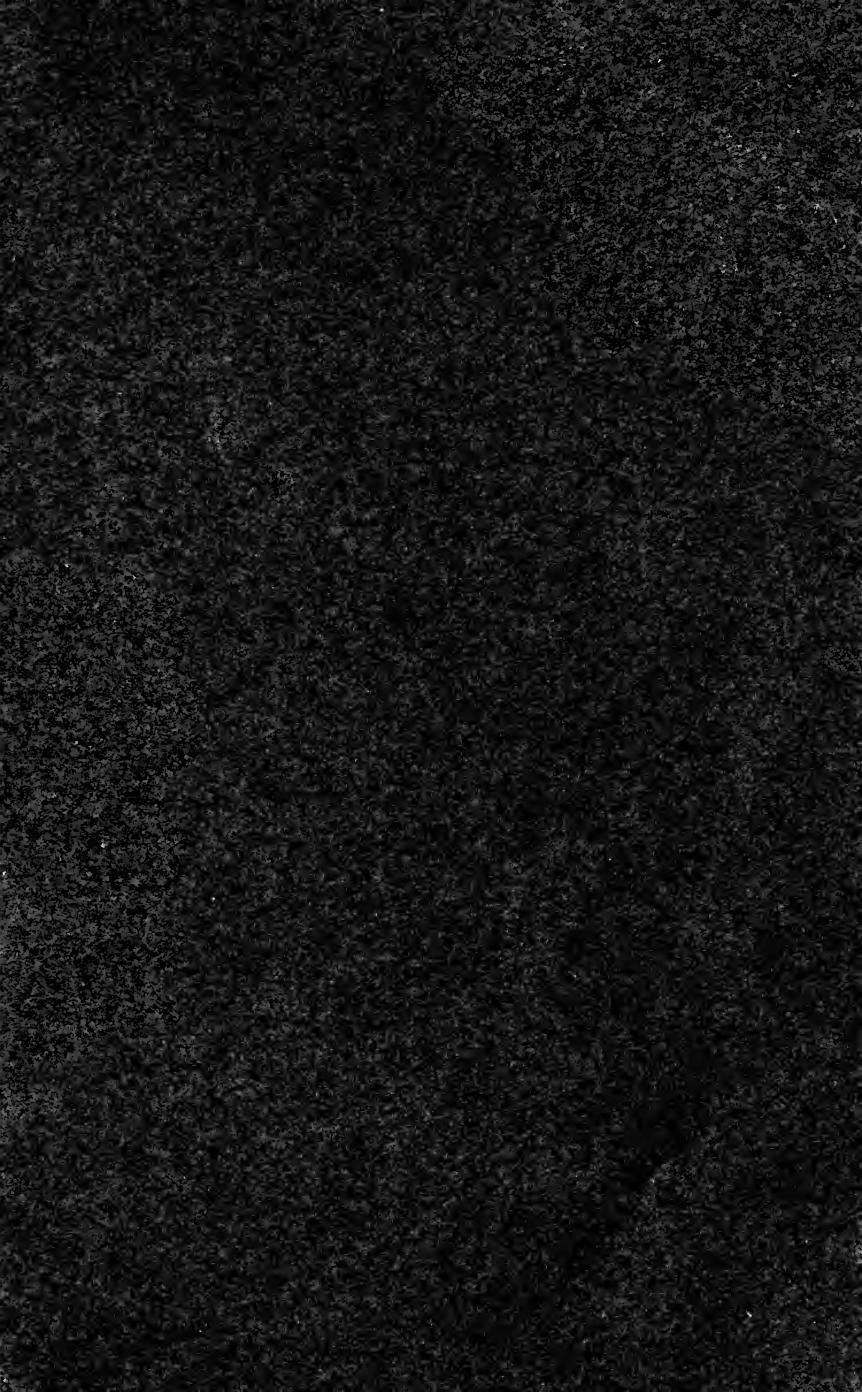
Future generations will rise up and call those men blessed who have the courage of their convictions, a proper appreciation of the value of human life as contrasted with material gain, and who, imbued with the spirit of brotherhood, will lay hold of the great opportunity for leadership which is open to them today.

**Responsibility for the
Development of the Future**

In conclusion let it be said that upon the heads of those leaders—it matters not to which of the four parties they belong—who refuse to reorganize their industrial households in the light of the modern spirit, will rest the responsibility for such

radical and drastic measures as may later be forced upon industry if the highest interests of all are not shortly considered and dealt with in a spirit of fairness.

Who, I say, dares to block the wheels of progress and to let pass the present opportunity of helping to usher in a new era of industrial peace and prosperity?



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