CHAPTER VII

The General Electric Develops A Labor Policy

The activities of Owen Young which I have been sketching, important as they were, far-reaching as they were to prove, did little to arouse public interest in the man. Their significance was caught only by a few in government and industrial circles.

Nor did an admirable public service rendered in 1919-1920 carry his name far beyond the groups interested in the kind of thing he had been concerned with. This particular service grew out of the work he did on what is known as the President's Second Industrial Conference, a body the President of the United States, Woodrow Wilson, had called together to aid in saving the retreat from the field of one of his pet commissions—a dramatic situation.

The retreating body of some forty men and women had been called together by Mr. Wilson to work out co-operatively a practical plan for preventing industrial strife. By practical he meant a plan which in principles, at least, each of the three groups into which the conference was divided—Employers, Employed, and Public—would agree to be just and fair. What Mr. Wilson was after was machinery for preventing industrial
warfare similar to that he had tried to set up on the other side of the Atlantic to prevent international warfare.

The Conference had not been long in session when it became clear that the leaders of the three groups were not interested in agreements, but had set their minds on getting what they each wanted regardless of the other fellow. As soon as this inability to co-operate had been demonstrated, Mr. Wilson properly sent the Conference home in disgrace, though he did give the Public Group a chance to redeem itself, to suggest a plan. Now as it happened I was a member of this Public Group and I shall never forget the humiliation I felt when I discovered at what proved to be our final meeting that the majority of the body were in no mood to accept Mr. Wilson's suggestion, that apparently now all they wanted was to quit and go home.

But no man ever held more doggedly to an idea he believed right and practical than Woodrow Wilson. His first Conference had no sooner quit the field than he called in a second with the same objective. It was a notable group - "one of the most distinguished body of men I was ever intimately associated with for anything like so great a length of time," says Ex-Attorney General Gregory, one of the members.

The body sat almost daily for some two months in which time they questioned scores of witnesses and discussed with the
greatest frankness every phase of our industrial life.
They held their meetings behind closed doors, but however
tight you close conference doors the spirit of the men con-
ferring is bound to leak out. It was not very long before it
began to be remarked that the Second Industrial Conference was
not going the way of the First. It was holding together.
The curious and interested began to hear mentioned a name
new to most people, Owen D. Young, an officer of the General
Electric. He had been an alternate on the First Conference
but had not appeared in the open sessions though he had sat
in on that last dismal session of the Public Group.

Secretary Wilson, then at the head of the Federal Labor
Department, was Chairman of the Conference and he was quoted as
saying that, “This man Young, not only thinks clearly and works
hard, but he has a wonderful sense of fairness. He represents
one of the biggest industries in America, but he is working in
this conference with an open mind. What he seems to be after
is the truth of things - no fear - no prejudice.” And that was
the impression he made on most of his colleagues, the majority
of whom were meeting with him for the first time.

“Never having come in personal contact with Mr. Young
prior to serving with him on this conference,” says Mr. Gregory,
“and knowing that he had been a corporation lawyer and was then
head of one of the largest of industrial organizations, I had not
expected from him the progressive views which he constantly expressed as our work advanced. I am a progressive, and I think there was not a man on this conference who could be properly classed as a reactionary, yet on more than one occasion Mr. Young championed views more radical than those entertained by me on the relations between labor and capital. I can safely say that he was one of the leaders in the conference, and I have frequently said that in my judgment he was its ablest member. His personality is extremely pleasing and he has a faculty of adjusting conflicting opinions which makes him invaluable."

The conference held to the end, sending out a report in March 1920 to which all of its nineteen members put their names. Something of the sympathy and understanding with which the work had been carried on is shown in their comments on the brought industrial unrest which went into the Conference being. Not only did they recognize only the familiar causes of unrest but included one generally denounced as a "dangerous tendency."

"Unrest today," says the report, "is characterized more than ever before by purposes and desires which go beyond the mere demand for higher wages and shorter hours. Aspirations inherent in this form of restlessness are to a greater extent psychological and intangible. They are not for that reason any less significant. They reveal a desire on the part of workers to exert a larger and
and more organic influence upon the processes of industrial life. This impulse is not to be discouraged but made helpful and cooperative. With comprehending and sympathetic appreciation, it can be converted into a force working for a better spirit and understanding between capital and labor, and for more effective cooperation."

Perhaps the most courageous as it was the wisest recommendation of the Conference was to begin in the factory itself, through some form of Employees Representation to prevent and to settle unrest and contentions.

"The guiding thought of the Conference has been that the right relationship between employer and employee can be best promoted by the deliberate organization of that relationship. That organization should begin within the plant itself. Its object should be to organize unity of interest and thus to diminish the area of conflict and supply by organized cooperation between employers and employees the advantages of that human relationship that existed between them when industries were smaller. Such organization should provide for the joint action of managers and employees in dealing with their common interests. It should emphasize the responsibility of managers to know men at least as intimately as they know materials, and the right and duty of employees to have a knowledge of the industry, its processes and policies. Employees need to understand their relation to the joint endeavor, so that they may once more have a creative interest in their work."
"Industrial problems vary not only with each industry but in each establishment. Therefore, the strategic place to begin battle with misunderstanding is within the industrial plant itself. Primarily the settlement must come from the bottom, not from the top."

If it proved that the trouble could not be taken care of by those immediately concerned then the conference proposed a National Industrial Board with regional boards for adjustment and inquiry to which difficulties could be submitted. These boards were made up of representatives of labor, capital and the public, and elaborate and ingenious devices were proposed to take care of every conceivable obstacle to a final peaceful settlement, and while the settlement went on work went on. Peace not War in industry as in the world was the great aim of man in those days.

Mr. Young contributed more than any other member of the conference to the building of this structure and to interpreting it to his colleagues. After it was over Mr. E. K. Hall of the American Telegraph and Telephone Company wrote him, "To those of us who know as I do, something of the part you played in visualizing and then working out the general plan and bringing the members of the Conference so unanimously to its support, will always stand out as your greatest, single personal
achievement. If you never made another contribution to the public service as long as you live, you will have the satisfaction of having rendered a service to the country which very few men have ever had a chance to equal."

But this achievement so appreciated by those on the inside did not go far beyond. One reason was that the business depression of 1920-1922 was beginning to be felt. It was rather unemployment than industrial unrest of which people were thinking and it was in connection with this problem that in 1921 Mr. Young again had the opportunity to render a substantial public service. This was in connection with a conference called by President Harding at the suggestion of Mr. Hoover. Herbert Hoover and ably managed by Mr. Hoover. One of the committees named by Mr. Hoover dealt with what is called the Business Cycles—the periods of booms and slumps which have disturbed the country periodically since the Civil War—and before. What could be done if anything to lower their peaks, prepare for their gulf? Mr. Young was made chairman of the excellent committee named, but it was not until March of 1923 that their report of warnings and suggestions appeared. It may be called his first contribution to what the country today is looking at as its most baffling problem—the stabilization of American industry.

Indeed that report must be regarded as a milestone in the ups and
downs of American business, since it was the first time that
the business cycle was officially recognized and an attempt
made to deal with it.

But by the time the report was published in 1923
the depression which had forced it was over. Business was
humming again. There was work for every man. It is probable
that the report would have passed almost unnoticed by the
public if the Chairman of the committee had not by this time
been Chairman of the Board of the General Electric. His name
on anything now meant interviews. When the reporters came to
talk with him on the business cycle as handled in his committee's
report he told them bluntly that about everything the sober-
industry
minded had hoped/had learn/indust/through the
depression just ended was being thrown to the winds.

"Caution, caution," he counselled. "If we get off
the reservation and over-speculate as we did last time we shall
have another collapse."

The position which finally had thrust Owen D. Young
before the public came to him in the Spring of 1922. Charles
A. Coffin was growing old, seventy-three now. It was time to
retire he felt from the Chairmanship of the Board of the
General Electric. It was an open secret that he wished Owen
Young to succeed him. "They were like father and son," I have
heard those who were with them in those days say. In June of 1922
Mr. Young
was elected.
When Mr. Coffin retired Mr. E. W. Rice, who had come to Schenectady with him in 1892 and through all these years had been a power in both research and management, gave up the active presidency and Gerard Swope took his place. Mr. Swope - by education an electrical engineer - he is a Massachusetts Institute of Technology man - had begun his career in 1893 as a test boy of the General Electric. Two years later he had gone to the Western Electric Company and in 1899 he had been made the manager of its St. Louis plants - a position he had held for seven years. From the Western Electric Mr. Swope came to the General Electric in 1908, and had risen until he was at the head of the company's Sales Department.

In 1913 the year that Owen Young entered the General Electric Mr. Swope had been made a vice president. The two had worked together from that day and here they were nine years later in charge of the great concern. One of their first undertakings was the development of a labor policy in harmony with the liberal notions both of them held.

Their first attack was on the wage scale - flat rates. They believed that high wages meant lowered cost of production. But they knew they must prove it both to men and to management. That they felt could not be done by treating the men as a mass. They must find a way of reaching each workman. They believed this could be done by a proper system of employees representation, such a representation as the report of the Industrial Conference on which Mr. Young had served regarded as the base of their scheme.
for preventing and settling disputes.

Already the General Electric plant at Lynn, Massachusetts had in successful operation a form of Work’s Council started after the strike of 1918 by the plant manager, Richard Rice, the brother of President Rice.

But who was there on their Schenectady staff who was fitted by his scientific training and by acquaintance with the men to persuade them to a Work’s Council? They thought of one man who might do it, C. E. Eveleth, but at the moment he was on the ocean. They radioed him to come back. They wanted him to take the management of the Plant.

Mr. Eveleth, who now appears on the organization chart of the General Electric as the official in charge of engineer designing, was well known in the shops where he had recently spent much time trying to find out what was the matter with a steam turbine which was giving trouble. Thus his face was familiar to the men and his ability known and respected. But where begin in a restless body made up of men of every shade of opinion, from the stout individualist of Van Hornesville to the out and out communist from the city street? Mr. Eveleth was frank and patient. The company wanted to organize them into a Work’s Council if after consideration they were willing to try the experiment. Weeks of discussion followed. There was strong opposition naturally from the unions represented in the shop.
There was doubt in the Board, but when finally a vote was taken only Sixteen men out of Seven Thousand voted, "No."

A council on which the company was represented by the manager and his associates was organized; a simple constitution dealing only with general principles was drafted and a free forum opened. Whatever rattling of old skeletons and shouting
of old slogans occurred in the earlier sessions of the Work's Council, the body, radical and conservative, soon settled down to serious work. Their confidence had been won and after long discussion it was agreed that piece rates be tried out; at the end of the first six months there were men whose wages were one and a half times what they had been; at the end of two and a half years the average wage of the plant had increased from twenty to twenty-five percent. In the General Electric in normal times shops now it is agreed that a man may earn according to his capacity.

The Work's Council gave the opportunity to expand, put on a firmer and more generous base the investment and pension schemes of the concern. A Securities Corporation ran by an equal representation of men and management was organized. It issues bonds paying six percent with an additional two percent as long as the original subscriber holds them. Its investments are diversified, but it is today the largest single investor in General Electric stock.

A pension plan was worked out and adopted by the Council. The Council estimates that at the end of thirty-five years service in the company a man who has invested in and held his security bonds will, with the aid of his pension, be able to retire with an income equal to about three fourths of the average earned in the last ten years of his working life.
While this was going on Mr. Young and Mr. Swope were engrossed in developing a plan for taking care of wage earners in periods of depression, that is, putting into practice what Mr. Young had preached in the report on Business Cycles. It was a plan which required a small weekly contribution from everybody on salary or wage from the top down as well as a contribution from the business itself. It was put up to the Work's Council in 1924, but prosperity was back to stay forever — why talk about unemployment insurance? And they turned it down. But the Work's Council is a sensible body and when prosperity retired in 1930, if you agree to the theory of a business cycle, they asked to reconsider the unemployment plan — adopted it. And with what result? Early in 1931 the chairman of the Mayor's Committee on Unemployment in Schenectady, home of the General Electric, reported that not a single employee of the great concern who had been with the company a year — a provision of the plan — had asked relief for himself or family that all who had been laid off or put on half time were taken care of by the fund which each of them had helped to create along with Mr. Young and Mr. Swope and every scientist, clerk, salesman, factory worker in the great aggregation. Mr. Swope has estimated if that in 1924 when the plan was first submitted to the men they had agreed to it they would have had five million dollars available for the emergency.
But Owen Young was not satisfied. His thinking was running far ahead of these excellent practical achievements. A way must be found, on that he and Gerard Swope were agreed, to stabilize not only the General Electric but the whole electrical industry. How could it be done? They must keep thinking about it.

But his mind ran farther. He was not willing to agree that industry should give the working man only enough to keep himself and family in physical comfort, even if it was enough to take care of them through periods of depression and through declining years. What was simmering in his mind came to the top first publicly in 1926 when he was talking to a group of New England power men.

"We must aim," he told them, "to make human beings directors instead of generators of power. We must aim to make the earning power of human beings so large as to supply them not only with an living wage, but a cultural wage. No man is free until want is removed from his door and until his intellect may be developed to take advantage of all the opportunities which may be available and are guaranteed to him in a free country. Let no man think that power supply is remote in its reactions on human welfare."

The phrase, "cultural wage," caught. It stirred hope in the worker. This was more than he had dreamed. It brought
sharp reproof from the substantial group who looked on "these things that Young and Swope are doing up in Schenectady" as upsetting, impractical. It brought from smart and irresponsible phrase-makers priding themselves on their realism the charge of "idealistic inefficiency," the title of "Super-Babbitt."

Mr. Young, if the comments came to his ears, weighed them undisturbed, seeking a kernel of soundness in them to help in the corrections he continually gives his notions. It was enough for him to know that in this case a few men in responsible places were asking themselves if how, when, a "cultural way" could be made a reality. He had set a lode-star in the industrial sky.

But the discussion only stimulated Owen Young. He put into order the dreaming and pondering and experimenting he had been doing since back in 1918 he had first set his mind to the problem of industrial unrest, industrial co-operation, industrial stabilization, put them in order and incorporated them in a remarkable address made in June of 1927 at the Dedication of a new group of buildings at the Harvard School of Business Administration, buildings made possible by the generosity of the late George F. Baker. The paragraphs are so important in any study of Owen D. Young as an industrial leader that they are quoted in full:—
"Into these, the modern corporation, we have brought together larger amounts of capital and larger numbers of workers than existed in cities once thought great. We have been put to it, however, to discover the true principles which should govern their relations. From one point of view, they were partners in a common enterprise. From another, they were enemies fighting for the spoils of their common achievement. In dealing with this problem, there has been much misunderstanding and frequently want of sympathy. The organization has not always functioned well, and even today in that field we have great problems yet unsolved."
Gradually we are reducing the area of conflict between the two. Slowly we are learning that low wages for labor do not necessarily mean high profits for capital. We are learning that an increasing wage level is wholly consistent with a diminishing commodity price level. We are learning that productivity of labor is not measured alone by the hours of work, nor even by the test of physical fatigue in a particular job. What we need to deal with are not the limits to which men may go without physical exhaustion, but the limits within which they may work with zest and spirit and pride of accomplishment. When zest departs, labor becomes drudgery. When exhaustion enters, labor becomes slavery. Zest is partly a matter of physical condition, but it is also largely influenced by mental reactions. These are common to all of us in every position. Are we doing well with our lives? Are we providing for our families—not merely clothes and food and shelter while we are working, but an insurance of them when our working time is ended either by age, disability, or death? Are we providing more cultural opportunities for ourselves and our children? In a word, are we free men? Here in America, we have raised the standard of political equality. Shall we be able to add to that, full equality in economic opportunity? No man is wholly free until he is both politically and economically free. No man with an uneconomic and failing business is free. He is unable to meet
his obligations to his family, to society, and to himself. No man with an inadequate wage is free. He is unable to meet his obligations to his family, to society, and to himself. No man is free who can provide only for physical needs. He must also be in a position to take advantage of cultural opportunities. Business, as the process of co-ordinating men's capital and effort in all fields of activity, will not have accomplished its full service until it shall have provided the opportunity for all men to be economically free. I have referred elsewhere to the cultural wage. I repeat it here as an appropriate term with which to measure the right earnings of every member of a sound society competent and willing to work.

"Zest in labor is influenced by another mental reaction well known to us all but too frequently neglected. Is a man working for himself or is he a hired man? It has been assumed that with the evolution of business into large organizations, it was necessary to increase the percentage of hired men. That feeling was encouraged by our old habit of thinking. Capital was the employer, buying labor as a commodity in the cheapest market and entitled to all the profits of the undertaking. Managers were considered the paid attorneys of capital to devise ways and means to squeeze out of labor its last ounce of effort and last penny of compensation. Is it any wonder that in this land of political freedom men resented the notion of being servant
to a master? Capital justified its action on the plea that it took all the risk. Many men, however, knew from their own experience that they also took a risk in this common business undertaking. With the greater division of labor, it was essential that a man be trained for a highly specialized job. In order to obtain the benefit of his training, he had to take employment in a plant which could use it. He accordingly moved into that community. He bought his home — he made his friends — he established his family and social connections. All of his relationships in life were there. If that business failed and the plant were closed, it was not alone the invested capital which suffered. That man, if no other job in the highly specialized field existed in the community, must move. His home must be sold, his ties broken, and perhaps too late in life he must attempt to take up again the forming of new friends elsewhere. Is it any wonder that he resented the notion that capital takes all the risks?

"Fortunately, we are making great progress in America in these difficult relationships. We are trying to think in terms of human beings — one group of human beings who put their capital in, and another group who put their lives and labor in a common enterprise for mutual advantage. We are learning as one result of our widespread prosperity that the human being who puts his capital in is no longer the gentleman of the cartoonist in need of fat-reducing exercises. It is rather the lean school
teacher, the small merchant, the carpenter, the blacksmith, who are trying to conserve and increase their surplus earnings as a guaranty fund against disaster. Or if it be not they directly, then it is most likely to be the insurance company and the savings bank which is investing the savings of millions of our people of all classes in the capital of widely diversified concerns. We think of managers no longer as the partisan attorneys of either group against the other. Rather we have come to consider them trustees of the whole undertaking, whose responsibility is to see to it on the one side that the invested capital is safe and the return is adequate and continuous; and on the other side that competent and conscientious men are found to do the work and that their job is safe and their earnings are adequate and continuous. Managers may not be able to realize that ideal either for capital or labor. It is a great advance, however, for us to have formulated that objective and to be striving toward that goal.

"Perhaps some day we may be able to organize the human beings engaged in a particular undertaking so that they truly will be the employer buying capital as a commodity in the market at the lowest price. It will be necessary for them to provide an adequate guaranty fund in order to buy their capital at all. If that is realized, the human beings will then be entitled to all the profits over the cost of capital. I hope the day may come
when these great business organizations will truly belong to the men who are giving their lives and their efforts to them, I care not in what capacity. Then they will use capital truly as a tool and they will be all interested in working it to the highest economic advantage. Then an idle machine will mean to every man in the plant who sees it an unproductive charge against himself. Then every piece of material not in motion will mean to the man who sees it an unproductive charge against himself. Then we shall have zest in labor, provided the leadership is competent and the division fair. Then we shall dispose, once and for all, of the charge that in industry organizations are autocratic and not democratic. Then we shall have all the opportunities for a cultural wage which the business can provide. Then, in a word, men will be as free in co-operative undertakings and subject only to the same limitations and chances as men in individual businesses. Then we shall have no hired men. That objective may be a long way off, but it is worthy to engage the research and efforts of the Harvard School of Business.

The fact that such a condition is not here today is not chargeable, as so often alleged, to the selfishness or dominance of capital. It is not due to the fact that the workers together have not adequate resources to margin the capital which they seek. It is due, in my judgment, solely to the unwillingness of men to assume responsibility and take a risk in such a co-operative undertaking. Most men yet prefer a fixed income without risk to a
share in the profits of the enterprise with the responsibility which that involves. Gradually, however, we are making our advance. Men are becoming both wage earners and investors. As workers, they seek the most for their labor. As investors, they seek the largest returns from their capital. The ownership of great concerns, under the impetus of our present prosperity, is being widely spread, and in some instances is largely held by the workers.

"Then, too, we must deal with this question of unemployment, which I regard as the greatest economic blot on our capitalistic system. There is no answer except that the managers of business have not yet learned how to make their system function so that men willing and able to work may do so. There is no limit to the consumption of the world. It is limited only in its individual compartments. We cannot eat more than so much bread or meat. We cannot wear more than so many clothes, and so we may have overproduction in individual lines. But there are innumerable wants of men yet unserved, and as long as culture grows, these wants will outrun our capacity to produce the things to satisfy them. The world does not owe men a living, but business, if it is to fulfill its ideal, owes men an opportunity to earn a living."

As the report on business cycles received greater attention because the name of the Chairman of the General Electric
headed the committee that had framed it, so now this address reverberated farther — much farther than it would have done if Owen Young had not been by this time an international figure, a man who had won regard and admiration in both Europe and America for the help he had been in the first attempt to settle by business instead of political methods the worldwide economic war growing out of the great war. Mr. Young had made a distinguished name for himself by his contribution to what is known as the Dawes Plan.