This chapter provides the broad context for understanding Australia, Canada, Germany, the UK and the US during the interwar period. It first examines explanations of historical patterns of employee representation. Building on this discussion, the chapter then focuses on economic issues, industry scale and structure, the division of labour and technology, trade unions and politics, employers and the role of the state in these five countries. The chapter provides a basis for understanding the development of ideas of employee representation and the success or failure of their implementation.

Explanations of Historical Patterns of Employee Representation

There have been a number of explanations for fluctuating patterns of interest in workplace employee representation. The complexity of these empirical trends has not always been well accounted for in theoretical explanations of the historical trajectory of representative employee participation. Harvie Ramsay’s influential “cyclical theory”¹ argues that support for industrial democracy grows in periods of economic expansion, when employees’ bargaining power rises and employers search for alternative means of employee voice located outside the collective bargaining relationship. Conversely, support for industrial democracy wanes when economic conditions decline and employer bargaining power is strengthened. This economic determinist theory is not a sufficient explanation as it fails to account for the continuous expansion of legislation for employee representation in occupational health and safety over the past 30 years, notwithstanding major economic

fluctuations. There are a variety of factors that affect interest in ideas relating to workplace employee representation and their implementation.2

The scale and structure of industry can impact on workplace employee representation. Larger firms are concerned about the growing communication gap between management and employees and have the resources to deal with the problem, particularly where there is limited competition in the industry. There was a general move to bureaucratise employment so as to ensure uniformity and coordination in a growing enterprise. As Jacoby has argued, while “size mattered” there is no “lockstep relation between how big a company was and how its employment system was organised.”3 Some medium-sized companies can be innovators because they are not inhibited by the rigid bureaucratic control of employment practices.

Although the size of the company is important, the form of company ownership and structure can vary and impact upon employment practices. While large-scale corporations developed in the US, the traditional British firm remained family owned and managed well into the twentieth century. If large firms emerged in the UK, they were loosely organised holding companies in which subordinates enjoyed considerable autonomy. This meant that despite the size of the holding company, autonomous subsidiary companies could follow inconsistent employment policies. Within the company there are both vertical and horizontal levels. The former represents varying levels of management ranging from shop floor supervisors to CEOs, with a whole range of middle managers. If these varying levels have significant levels of autonomy they can frustrate and even undermine the labour policies of senior management. Managers and supervisors can see employee representation schemes as a challenge to their status and an assault on management prerogative. Similar concerns can arise in the horizontal levels, where different departments, such as production, sales, finance and personnel, may have high levels of autonomy and the capacity to frustrate or ignore the company’s labour policy. Foreign ownership can also be important as the local Australian, Canadian or German subsidiary may introduce employment practices in accordance with head office policy in London or New York, which may be more appropriate for conditions in the UK or the US.4


Technology, which is “not just machines and technical processes, but also how these are organised and the way workers are deployed around them,” can impact on labour management practices. For example, in Australia, scientific management was more applicable to industries based on assembly line technology, such as textiles, clothing, automobiles and electrical appliance manufacture, where workers were already subdivided and undertaking simple repetitive tasks, than industries such as metal fabrication and engineering, where work was organised on a jobbing or batch production basis. There are similar claims that some forms of employee representation such as ERPs were more applicable to mass-production industries where there were “semi-skilled” workers.

Unions, management and the state play a crucial role in developing and extending employee workplace representation. Their ability to influence events depends upon their power. They also make strategic choices, which may not necessarily be rational or well informed, or successful in the short- and long-term. There are limited choices. Management, for example, may recognise unions alongside forms of employee representation or view an employee representation system as a substitute for organised labour. The latter may antagonise unions and lead to conflict, particularly when unions are strong. Those setting up a system of employee workplace representation may choose to have workers appointed by the unions rather than elected directly by the rank and file. They may face opposition in those workplaces that have strong pre-existing networks of shop stewards or workplace delegates.

There is widespread recognition that worker resistance and collective organisation can limit and shape labour policies and practices. Workers made possible the economies of speed that assisted the rise of large-scale corporations, but also delayed productive reorganisation in order to retain control over the labour process. They helped established internal labour markets in large bureaucratic organisations, to increase job security and restrict the power of foremen and subcontractors, and also aided the extensive development of corporate paternalism.

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7 Naylor, The New Democracy, p. 175.
8 Gospel, Markets, Firms and the Management of Labour, p. 8; Poole, Lansbury and Wailes, “Participation and Industrial Relations Revisited”, pp. 25–6.
However, the impact of unions on the management of labour has been exaggerated both in popular and academic commentary. As Howard Gospel argues, “Employers had initiatory power, while union power was largely reactive and negative.” Further, unions can be divided on ideological and organisational lines. They may be moderate and prefer to work within the capitalist system, or be driven by radical ideologies such as communism or anarcho-syndicalism that seek to overthrow it. They can represent the interests of more moderate groups of workers such as office workers or more militant workers such as miners. Differences can also arise between the union leadership and rank-and-file members, who may challenge union authority through wildcat strikes and rival workplace-based organisation such as shop stewards and shop committees. Even where unions gain more influence through labour or social democratic parties, they may still face divisions on ideological or organisational grounds.

While management plays a major role in the implementation of labour practices, it can vary in its enthusiasm and ability to introduce them. This may relate to the issues concerning corporate scale, structure and ownership raised earlier, but it can also relate to management’s attitudes, values and identity. While some managers may be hostile to trade unions and develop employee representation as a means of supplanting them, others may be willing to work with unions and develop forms of employee representation that recognise freedom of association and even promote trade union membership. There is also the level of professionalism of management, which can relate to the development of managerial education and the recognition of a “management ethos” or identity. Managers may form employer organisations and professional organisations and can use managerial consultants, which allow them access to the latest ideas and assistance in implementing them.

The state can also have an influence on the forms and incidence of employee representation. Through legislation it can promote, suppress or even outlaw forms of employee representation, as occurred with Nazi Germany and the US under President Roosevelt. The state can also promote forms of employee representation without legislation by providing advice to private industry through government agencies such as departments of

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10 Gospel, Markets, Firms and the Management of Labour, p. 188.
labour, or setting an example by introducing forms of employee representation into state enterprises.

There are limits to what the state can do. In federal states there may be constitutional restrictions on what federal and state or provincial governments can do with regard to labour relations. There are also ideological restraints, particularly if the party in control of the state supports the idea of managerial prerogative in the workplace and the principle of voluntarism, which involves non-intervention in the employment relationship and industrial relations. As in the case of Germany during the interwar period, there can be political parties that are antidemocratic and frown upon forms of employee representation built upon the free election of worker representatives and democratic practices.13

The state can openly reinforce the power of capital through state repression, which increases the costs of collective action by workers and may provide a favourable climate for the introduction of forms of workplace employee representation that undermine workers’ freedom of association. State repression can take a variety of forms: direct physical attack on strikers, the protection and provision of strike-breakers, and the harassment of union activists. The agencies involved include the military, the police, intelligence services and the courts. While state repression may be at the margins of traditional industrial relations, the successful targeting of union activists by the state may seriously impact upon the ability of unions to organise and represent members’ interests.14 The defeat of relatively militant workers such as coal miners and waterfront workers “may radically alter employee perceptions of general union instrumentality and thereby raise the expected costs of collective organization and action across many sectors of the economy far removed from the direct hand of state repression.”15

The chapter will now look at how the state and other factors influenced the form and incidence of workplace employee representation in Australia, Canada, Germany, the US and the UK during the period 1914 to 1939.

15 Kelly, Rethinking Industrial Relations, p. 59.
The US
When the First World War began, the US was in a recession, but this soon changed. Although it did not enter the war until 1917, European demand for US products began a boom from 1914. After the US’s entry into the war, demand from the US military further fuelled production. There was a growth in industrial production and industry expanded into new regions; shipbuilding, for example, expanded rapidly. European immigration to the US almost ceased with the outbreak of the war. There were labour shortages and greater opportunities for women, Afro-Americans, Mexicans and Asian workers. While workers gained wage increases, their purchasing power was eroded by inflation. The cost of living index had a base of 100 in 1914, but the cost of living grew from 107 in 1915 to 206 in 1920. The boom continued into the post-war period, fuelled by government expenditure and pent-up consumer demand. The US economy shifted from being a net debtor on international markets to a net investor and the UK and its allies were forced by the costs of war to liquidate much of their US investments. The economic bubble finally burst in late 1920, gross national product (GNP) declining by nearly 10 per cent between 1920 and 1921 and almost 5 million Americans losing their jobs.16

By 1922 the US economy bounced back and to 1929 enjoyed a period of sustained prosperity. The population of the US grew from 106.5 million in 1920 to 123.2 million by 1930. In the same period, the workforce grew from 42.2 million to 48.7 million. GNP rose by 38 per cent in real terms. Despite the constant size of the manufacturing workforce, manufacturing production rose by 30 per cent. Underlying this growth was a major improvement in productivity, average output per manufacturing worker increasing by 60 per cent between 1920 and 1929, and major improvements in technology and the organisation of work, which attracted international interest. The growth of the automobile industry, which saw the number of registered motor vehicles in the US tripling to over 21 million between 1919 and 1928, stimulated growth in related industries such as steel, rubber, glass, tools and petroleum refining. One new industry that grew dramatically was radios, following the first commercial broadcasting in 1920. By the end of the 1920s almost

every US family had a set. Real wages grew as wages and salaries rose by 45 per cent, but prices, reflecting falling production costs, were either steady or falling. With profits growing dramatically, the market value of shares listed on the New York Stock Exchange expanded from $4 billion in 1923 to $67 billion in 1929. By 1929 the US was the leading financial and manufacturing power in the world economy.\(^\text{17}\)

The prosperity of the US economy was shattered by the onset of the Great Depression. While there is a focus on the Wall Street crash of 1929, the roots of the economic downturn in the US lay in a number of factors including overproduction, the decline in European demand for US goods, debt exposure to European economies unable to make sufficient payments and the dependence of the US economy on a few sectors such as automobiles and construction to maintain prosperity. There was also uncertainty over US trade policy due to the prolonged debate that surrounded the passage of the 1930 Smoot-Hawley Tariff Act, which began as a promise by Herbert Hoover in the 1928 presidential campaign to assist farmers. GDP fell from $104 billion in 1929 to $76.4 billion in 1932. By 1932 it was estimated that 25 per cent of the workforce was unemployed; unemployment averaged nearly 20 per cent for the rest of the decade, never falling below 15 per cent. While the economic stimulus provided by President Roosevelt’s New Deal prevented further economic deterioration and there was a limited recovery in some areas of the economy, approximately 17 per cent of the US workforce was still unemployed in 1939.\(^\text{18}\)

The UK
While the First World War stimulated the British economy, as in the US, its performance was poor during the 1920s. The onset of the war had initially disrupted the British economy, due to uncertainty over the length of the conflict and munitions requirements, and unemployment actually rose. However, unemployment had disappeared by January 1915 with the growth due to war production and military recruitment. There were also increases in the cost of living, particularly food prices, the index of wholesale prices for Great Britain increasing from 100 in 1914 to 242 in 1919. Rising prices led to industrial unrest and demands for price control. The war stimulated


growth in new industries, such as chemicals and electrical engineering, but also brought new growth in traditional staple industries such as coal, iron and steel, and shipbuilding. While the UK emerged from the war with an economic boom and full employment, as Howard Gospel has noted, “Britain ceased to be the centre of the world’s trading network and many of Britain’s export markets contracted as countries formerly dependent on its goods either sought alternative sources of supply or began to replace imports.”

The post-war economic boom broke in 1920, leading to a severe depression. British industrial production fell by nearly 20 per cent and exports fell by 30 per cent, with unemployment increasing from 2 per cent in 1920 to 14 per cent in 1922. The recovery from this economic downturn was not as strong as in other countries, Britain seeing an unsteady upswing between 1922 and 1929. With the exception of 1927, unemployment remained above 10 per cent, particularly impacting upon staple industries such as shipbuilding, cotton, textiles, iron and steel, mechanical engineering and the coalfields of England, Scotland and Wales. British manufacturing was placed at a cost disadvantage in world markets when the government decided to place the pound on a gold standard at an inflated rate of exchange. For workers with regular employment, retail prices fell during the 1920s and real wages improved.

With the onset of the Great Depression, the British economy went into another slump that saw unemployment reach a peak of 22 per cent in 1932. However, coming from a lower productive capacity than other countries, the 1930s depression in the UK was less severe and destabilising than the economic downturn of the early 1920s. The prospects of British manufacturing improved when the UK came off the gold standard in September 1931, paving the way for lower interest rates, and the introduction of tariff protection. There was an upswing between 1932 and 1937 as exports slowly grew, the major contribution to growth coming from domestic demand. Unemployment, however, remained above 10 per cent for the remainder of the decade and British employers were generally at an advantage in the labour market for the interwar period after 1920.

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Germany
The German economy was also under strain both during the First World War and the 1920s. The Royal Navy’s blockade, which continued until 1919, deprived Germany of many imports essential for its industry. Germany was not self-sufficient in agriculture, importing 25 per cent of its food. While there were no deaths caused directly by starvation during the war, undernourishment was a major issue and weakened German health, morale and productivity. Unlike the French and British, the German government was excluded from foreign financial markets and had to rely on domestic borrowing to finance the war. The German government dealt with this issue by rapidly increasing the money supply through war bonds, which it believed would be paid by a defeated enemy at the end of the war. It also set up loan bureaus to lend their own money notes to state governments, local governments and private businesses. These notes had the same status as national bank notes. With large amounts of money pursuing fewer goods, inflation became a feature of German life on the home front, the cost-of-living index rising 200 per cent between 1914 and 1918. This wartime inflation, which followed a long period of relative price stability in Germany, destroyed savings and reduced real incomes. As in the US and the UK, German unemployment fell dramatically due to recruitment and increased war production.\(^{23}\)

Germany’s economic woes increased in the wake of its defeat in the First World War. The November 1918 revolution, which led to the abdication of the Kaiser and the establishment of the Weimar Republic, was followed by a series of political crises which fuelled economic uncertainty, including communist revolts and the Nazis’ failed Munich Putsch in November 1923. The victorious Allies demanded reparations to pay for their war costs. Germans thought these payments were unjust and their government was unable to pay because of the parliament’s opposition to tax increases and the reluctance of capital markets to purchase German government bonds. Wartime inflation became hyperinflation in the summer of 1922. This trend continued as the German government again increased the money supply to cover government expenditure and wage increases. There was also a slowdown in business, a decline in exports and rapidly expanding unemployment. The French and the Belgians, convinced that the Germans were not honouring their reparation payments, occupied the Ruhr, Germany’s major industrial

region, on 11 January 1923. The German government responded with a policy of passive resistance so that whenever Allied forces entered a factory, a mine or a government office, everyone stopped work. The shutdown of the Ruhr impacted on the rest of the German economy, reducing tax revenues while the government provided subsidies to affected German companies and unemployment benefits for workers. To finance these expenditures the German government again printed money, which led to a further wild escalation of prices and the devaluation of the Deutschmark. By November 1923 the mark was practically worthless, with an exchange rate of 4.2 trillion marks to the US dollar. Hyperinflation saw the wiping out of savings and social unrest including wild cat strikes, the plundering of market stalls and stores, and hordes of urban dwellers invading rural areas and stealing food and other items. The middle class was forced to sell off household items and social resentments came to fore, worker pitted against employer, foreign speculators, including Jews, being seen as profiting off German misery.24

From late 1923 the economic situation in Germany began to change with a series of initiatives to stabilise the economy. There was a shift towards more conservative governments, the Catholic Centre Party leader Wilhelm Marx becoming Chancellor in November 1923. The government halted inflation by creating a new domestic currency, the Rentenmark, which was underpinned by German industrial and agricultural assets. The German currencies were also placed on the gold standard in 1924 to encourage confidence in the German monetary system. The government then slashed public expenditure by reducing civil servants’ salaries and dismissing temporary employees and married women. It made major cuts to the social welfare system and allowed concessions to private sector employers on working hours and their right to dismiss workers. Negotiations with the French led to an arrangement whereby industrial production would resume in the Ruhr in exchange for goods being sent to France and Belgium as partial payment for reparations. The Allies and Germany also accepted the Dawes Plan at a London conference in July–August 1924 that provided for a more reasonable schedule of payments and a hard currency loan to stabilise the German budget. Alongside the Dawes Plan, Belgium and France agreed to withdraw their troops from the Ruhr over the next 12 months. A subsequent further round of negotiations led to the Young Plan in 1929, which reduced Germany’s overall debt and set up a schedule of payments to be concluded in 1987.25

The stabilisation programme of 1923–24 led the Weimar Republic into a period of relative prosperity that lasted from 1926 until 1929. There was an influx of US capital into Germany and there was investment in plants, equipment and housing. German GNP increased by 24 per cent between 1925 and 1928 and total industrial production again reached 1913 levels in 1927. Real wages grew and broadly regained their 1913 level the same year. There was a splurge of consumption with many consumers, even the middle class, buying on credit. German industrialists regained export markets from the British and the French. By 1930 Germany ranked second after the US among the world’s exporting countries and was the first exporter of finished goods.26

This prosperity came to end with the Wall Street Crash of 1929, US banks calling in their short-term loans. Consumer demand collapsed and production declined, leading to the retrenchment of workers. German unemployment increased from 13.3 per cent in 1929 to a staggering 43.8 per cent in 1932. Industries particularly badly hit were machine building with 48.9 per cent and shipbuilding with 63.5 per cent unemployment. German GNP fell by 37 per cent between 1928 and 1932. Heinrich Brüning, the Centre Party Chancellor from March 1930 to May 1932, exacerbated the misery by adopting deflationary policies, cutting government expenditure on social welfare and the Civil Service, and increasing taxes. There was a shift towards stimulating the economy as Germany departed from the gold standard in 1931, allowing the government to pump more money into the economy. The economic crisis added to the growing disillusionment with the Weimar Republic and Adolf Hitler became Chancellor in January 1933. Under the National Socialists, unemployment fell during the remainder of the 1930s due to extensive public works and rearmament programmes.27

Canada

The fortunes of the Canadian economy during the interwar period were closely linked to the US, Canada’s major trading partner and source of investment. The Canadian economy was in recession during 1913–14 and

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the outbreak of the First World War initially dislocated its economic recovery as export markets were disrupted. As elsewhere, however, the war soon stimulated the Canadian economy by soaking up unemployment with enlistment and increased military production, but also created the problem of rising prices. An average weekly food basket for a Canadian family increased by 46 per cent between December 1916 and December 1918, and by 82 per cent at the peak of the inflationary spiral in July 1920. By July 1920 the average weekly food basket cost 128 per cent more than it did at the outbreak of the First World War in 1914. The bargaining position of organised labour improved and by 1917 the country’s employers faced a shortage of 100,000 workers. Price rises, however, contributed to a serious erosion of real wages after 1917.28

With the end of the war, there was an economic recession followed by a period of economic prosperity. After the Armistice, many workers lost their jobs in the munitions industry and unemployment rose steeply in the early months of 1919. Uncertainty hung over most Canadian industries until a major economic downturn in the winter of 1920–21, when unemployment increased due to enterprises closing or curtailing production. In 1921 the value of manufacturing output fell by almost a third and prices fell by 28 per cent. As in the US, however, the remainder of the 1920s was a period of economic boom with a rise in the standard of living and increased consumer demand for radios and automobiles. US investors were attracted to Canada as a place to construct branch plants to meet the demands of the British Empire behind an imperial tariff. The percentage of foreign investment represented by American capital grew from 22 per cent in 1913 to 53 per cent in 1926. While real manufacturing output had grown at a compound rate of 4 per cent between 1919 and 1925, it grew by the exceptionally high level of 9.8 per cent between 1926 and 1929. Unemployment fell from 6.2 per cent in 1921 to 1.7 per cent in 1928.29

The Great Depression began in Canada as early as April 1929 with the collapse of the price of wheat, an important Canadian export commodity. Immigration in the 1920s led to the full cultivation of available prairie


land and a bumper crop in 1929. There was also international competition from Argentina, Australia, the US and even the Soviet Union. The onset of the Great Depression in the US exacerbated the economic downturn in Canada given the economic links between the two countries. The US also worsened Canadian economic problems with the imposition of the Smoot-Hawley tariff on all agricultural goods in 1930 and the imposition in 1932 of tariffs on products such as timber and lumber. The Canadian government responded to the protectionist measures of the US and other countries by placing high tariffs on the import of manufactured goods in 1930 and 1931. From 1929 to 1933, total Canadian export prices declined by 60 per cent and earnings from wheat and flour, the top export commodities, fell by over 70 per cent. Unemployment grew from 3 per cent in 1929 to a peak of 23.9 per cent in 1933 and national income in 1933 was half that of 1929. While the Canadian federal government took a traditional deflationary view of the Great Depression, it did provide financial assistance to provincial governments to fund unemployment relief at the municipal level. Fifteen per cent of Canadians were dependent on direct unemployment relief in April 1933. The Canadian government stopped immigration during this period and the number of immigrants dropped by 93 per cent between 1929 and 1935. There was some relief for the Canadian export industries with the 1932 Ottawa Agreement on British trade preferences and the 1935 trade agreement with the US, which gave Canada the status of most-favoured nation for trade, with some exceptions, and reduced duties on 63 items, including agricultural goods and fishery products. The Canadian recovery from the Great Depression was slow and 12.8 per cent of Canadians were still unemployed at the outbreak of the Second World War in 1939.30

Australia

The outbreak of the First World War in Australia initially led to economic uncertainty and dislocation. The country was very dependent on exports of mineral and agricultural products. Major German markets were lost, there was uncertainty over whether British manufacturers could continue to supply Australia with most of its imports and shipping was requisitioned for

Unemployment increased rapidly as the sources of public and private investment dried up. Added to this was the drought during 1914–15, which reduced the wheat harvest by 75 per cent compared to the previous financial year and forced Australia to import wheat for the first time in many years. As the war continued, increased local demand and reduced imports stimulated Australian manufacturing, but the generally situation was one of stagnation and unemployment did not fall to the levels seen in Canada, Germany, the US and the UK. Remoteness from the battlefield limited the participation of Australian industry. Inflation was one of several issues that fuelled worker discontent as the war continued. Unionists believed that producers were profiteering from the war and governments were ineffective in dealing with rising prices.  

After the end of the First World War, with the exception of a slump in 1921, heavy foreign investment and immigration sustained a recovery. Australia’s economic prosperity remained tied to the primary sector of the economy. Unemployment, however, never dropped to the levels seen in Canada and the US during the prosperous 1920s. The first signs of a major depression appeared in 1927 as the supply of overseas capital began to dry up. Estimated unemployment, based on average unemployment as a percentage of the total workforce, rose from 6.2 per cent in 1928 to 19.7 cent by 1932. These figures are considered to be an underestimate by some authors for it has been estimated that up to 35 per cent of wage earners were unemployed and another third were on work rationing or short-time to preserve their jobs. Those workers who could continue in employment faced wage cuts. But though the 1930s depression was more severe than that of the 1890s, recovery was faster. The 1930s did not suffer the repeated droughts of the 1890s. The federal government also stimulated the recovery through tariffs and currency devaluation.

Unemployment data, though varying in method of calculation, provides a useful way of comparing the economic trends of these five countries. As Table 2.1 indicates, the First World War spurred production, which

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### Table 2.1 Unemployment in Australia, Canada, Germany, the UK and the US, 1914–39 (%)

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<th>Year</th>
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</table>

*Source: Patmore, “Unionism and Non-Union Employee Representation”, p. 530; Withers, Endres and Perry, “Labour”, p. 152 – Australian figures based on Butlin estimates.*
reduced unemployment in all five countries by 1918–19 and provided a favourable climate for trade unions and wage demands. The strength of trade unions, rising strike levels and concerns about the implications of the Russian Revolution encouraged legislators, liberal employers and moderate union leaders to look for orderly ways of providing a voice for workers at the workplace level. The labour markets deteriorated following the First World War, with unemployment remaining above 10 per cent in the UK for most of the 1920s. The German economy faced particular problems during the early 1920s, with hyperinflation, the payment of reparations and political unrest. Canada and the US enjoyed economic prosperity for most of the 1920s, and Australia enjoyed relatively low levels of unemployment compared to the UK and Germany, but higher than Canada and the US. All these economies faced a rapid deterioration in their labour markets with the onset of the Great Depression, particularly Germany and the United States, which saw dramatic political shifts, towards National Socialism in Germany and the New Deal in the US. With the exception of Germany, there was a limited recovery after 1932–33. In line with Ramsay’s argument about economic prosperity favouring interest in employee representation, there should be increased interest in all these countries by the end of the First World War and in Canada and the US during the 1920s.33

Industry Scale and Structure

The scale of industry tended to be larger and more concentrated in the US, which had a large domestic market, growing from 92 million in 1910 to 132 million in 1940. The development of new technologies and the opening of new markets through the expansion of the railways led to the economies of scale and scope necessary to allow for the establishment of large multi-unit enterprises.34 As early as 1870 the large-scale private corporation was beginning to dominate the US economy and was increasingly viewed as “a real entity with the same rights and privileges as a natural person.”35 While anti-trust legislation and litigation highlighted public concern over the economic power of these large corporations, the courts ensured a narrow approach to anti-trust regulation that legitimated concentration of economic power if certain legalities were observed. The legal and economic dominance of large-scale corporations in the US placed limitations on any

33 Patmore, “Unionism and Non-union Employee Representation”, p. 530.
34 Brinkley, American History, p. A-38; Chandler, Scale and Scope, p. 18.
challenge by the organised labour movement, with certain exceptions such as steel and the railroads.36

Large-scale corporations first appeared in the railways and then spread to industrial firms such as US Steel and Standard Oil, founded in 1901 and 1912 respectively. There was a divorce between ownership and management as growing corporations had to raise funds externally and relied upon a complex management hierarchy based on a functional division of management. By 1937 American Telephone & Telegraph was the largest company of any sector in the world with a market capitalisation of $3.1 billion. These large-scale corporations grew through mergers and acquisitions. The two major forms of growth were through vertical integration, whereby the company expanded to include both suppliers and distributors, and diversification, where the corporation expanded to produce more than one distinct line of goods. While Standard Oil had its origins in the refining of oil, it undertook both backward integration into pipelines and crude oil production and forward integration into distribution and marketing. By 1930, 59 per cent of US firms were diversified, compared with 26 per cent in Australia and 21 per cent in the UK. Diversification was pursued in many leading food and chemical firms through the establishment of research laboratories that developed new products. The chemical manufacturers Proctor & Gamble and Du Pont, for example, developed washing powders. While there was reliance upon external capitalisation, founding families could still exercise a control over senior management in some corporations through minority shareholders of as little as 15–20 per cent.37

Just after the First World War, US firms such as Du Pont and General Motors (GM) began to shift towards a multidivisional form of organisation as the administrative efficiency of their multilevel hierarchies of professional managers was being restricted by their highly centralised nature. Within such an organisational structure there are autonomous operating divisions, each with their own functional levels of management, and a general office that provides the focal point for corporate strategy and supervises performance through a reporting system.38

As in the US, large-scale business or Riesenbetriebe in Germany emerged with the completion of new transport and communication networks, which made possible the flow of goods and services large enough for firms to exploit economies of scale and scope. Germany had a smaller domestic market and

lower GDP than the US, and had to rely more on exports to sustain growth. There was, however, a greater deal of collusion and cooperation among German firms than in the US. There was a clustering of banks, training institutions and firms and trade associations or cartels were formed, particularly in coal, chemicals and steel. An example of these powerful cartels was the Rhenish-Westphalian coal syndicate, which in 1913 comprised 87 large mining enterprises and controlled 50 per cent of Germany’s total coal production. While each firm had nominal independence, it was virtually impossible for any independent coal producer to operate independently in the Rhineland and the coal cartel set the price of coal. Cartels were still being formed in the interwar period — the cartel of the chemical industry did not officially come into existence until 1925. The willingness of German courts to enforce cartels and other agreements between German firms reduced the incentive to merge into industry-wide holding companies.  

Despite this greater tendency towards collusion and cooperation, there was also a tendency in Germany, as in the US, towards large-scale and vertical integration with extensive use of professional managers. As a developing economy, Germany did not possess an integrated marketing or distribution system, leading German firms very early to integrate these functions into their existing activities. German firms also diversified. German company law, introduced in 1870, provided for a supervisory or control board (Aufsichtsrat), which was elected by shareholders and supervised the activities of management from the shareholders’ perspective. The Aufsichtsrat dealt with strategic decisions on investment and product range, and the executive board (Vorstand) dealt with functional and operational management. Banks represented shareholders on the Aufsichtsrat and supported as well as financed trends towards concentration, integration and diversification. While self-funding remained an important part of German corporate growth, banks participated in top-level decisions more than was the case in the UK or the US, and favoured conservative investment in industries such as food and textiles rather than the chemical, electrical or automobile industries. Once a firm had developed its infrastructure and organisational capabilities, bankers became less influential.  

Despite this, as Chandler argues, “only in Germany did the representatives of financial institutions...
help to shape top-level policy, particularly on resource allocation, over any extended period of time.”  

Limitations were imposed on the development of German firms along US lines. Powerful family dynasties dominated certain corporations such as Siemens, Thyssens and Krupps, and played an important role on their supervisory boards, influencing strategic decisions while delegating the functional and operational management to salaried managers. German corporations were also highly centralised. They copied the bureaucratic procedures of public administration and limited the flexibility and autonomy of the middle management and junior management levels. There were some organisational initiatives: Siemens, the leading German electrical manufacturer, adopted the multidivisional form of organisation as early as 1910. However, while a small number of individual German firms experimented with this structure during the interwar period, it made the most progress in the US and remained a rarity in Germany until the 1960s.  

By contrast to the German and US experience, the British economy which, like the German, depended on export markets for growth and by 1930 had only one-third of the population of the US, was long dominated by small, single-unit, family-owned and family-managed enterprises. One response of the family firms to increasing internal and external competition from the 1870s was to cooperate and form trade associations to fix prices at a mutually profitable level and allocate market quotas to offset intensifying competition and falling prices. These trade associations were found particularly in the iron and steel, textiles, metal processing and chemical industries. By 1944 there were 2,500 trade associations in Britain, 1,300 of which were in manufacturing industries. The protection of these trade associations against market competition reduced the incentive for British firms to change their structures.  

Even where larger multi-unit firms emerged, during the merger waves of the 1890s and 1920s, these tended to be loosely coordinated holding companies in which family control remained strong, subsidiaries had considerable autonomy and traditional methods of administration persisted. There were a few large, more unified firms with more elaborate managerial hierarchies organised on functional lines. As in Germany, multidivisional firms did not take off in the UK until the 1960s, notable exceptions in the interwar period being ICI (Imperial Chemical Industries), Dunlop and Unilever. Yet even in ICI the rationale of the multidivisional form was undermined by the


British firms tended to be slower than US counterparts in implementing growth through vertical integration and diversification. Vertical integration within British firms typically occurred during the 1920s, later than in the US. One sector where vertical integration may have been more integrated than in the US is the food industry. Reckitts, United Dairies, Unilever, Lyons, Rowntree, Bovril and Cadbury-Fry invested heavily in marketing and distribution. Diversification was less common in the UK than in the US. ICI, which arose from a merger of four of the largest firms in the British chemical industry in 1926 and brought together a level of expertise that allowed it to diversify into a range of areas including paints, plastics and fertilisers, was a rare example of diversification. By 1930, ICI was spending more than four times the amount on research of its constituent firms before the merger.\footnote{Boyce and Ville, The Development of Modern Business, pp. 10–15; Chandler, Scale and Scope, pp. 264–5; Gospel, Markets, Firms and the Management of Labour, pp. 44–5.}

While Canada had a smaller economy than Germany, the UK and the US, it was like Germany and the UK in its dependence on exports for economic growth. It was also dependent on US and British capital to develop its industries. There had been a major merger wave from 1909 to 1913 witnessing 97 mergers involving 221 firms with combined assets of more than 200 million Canadian dollars. While firms whose total sales exceeded $1 million accounted for only 15 per cent of total manufactured output in 1901, by 1921 that proportion had surpassed 50 per cent. There was another round of mergers from 1924 to 1930, when 315 mergers took place involving assets of nearly $1 billion. In addition to mergers, economic power was centralised through the formation of holding companies such as Alcan Aluminium Limited in 1928.\footnote{Naylor, The New Democracy, p. 17; Palmer, Working Class Experience, p. 215.} As Bryan Palmer argues, “such concentration of economic power established monopoly as the dominant force within the economy.”\footnote{Palmer, Working Class Experience, p. 215.}

Financial intermediaries, such as investment houses and the chartered banks with which they were closely associated in \textit{de facto} partnerships, played a crucial role in this merger movement. They also gained considerable influence over company boards. The investment house Wood Gundy, which was allied with the Royal Bank, was represented on the boards of 50 of the largest Canadian corporations.\footnote{Palmer, Working Class Experience, p. 215.}
There were other significant dimensions to this consolidation of Canadian industry. Large American corporations such as International Harvester, Ford, GM, Swift and Goodyear established branch plants to exploit Canadian domestic sales, take advantage of Canadian patent laws and operate within the British Empire’s protective tariffs. By 1934 there were 1,350 US firms operating in Canada, of which 36 per cent were established between 1920 and 1929, and a further 26 per cent between 1930 and 1934. US investment dominated British investment, American capital more than doubling between 1913 and 1926, from 22 to 53 per cent.49

Australia, the smallest of the five countries in terms of population, tended to have the least-developed economy in terms of firm size. In 1929 the average number of wage earners per establishment in Australia was 15.6, compared with 25.3 and 41.9 in Canada and the US respectively. While the majority of enterprises in Australia remained small, the percentage of workers in large-scale enterprises grew. In manufacturing, the average number of employees per establishment fluctuated: 23.13 in 1920–21, 20.13 in 1928–29 and 21.25 in 1938–39. The number of factories in manufacturing with more than 100 employees grew, however, from 651 in 1920–21 to 725 in 1928–29 and 946 in 1938–39 – the percentage of manufacturing employees in these factories was 42.92, 43.71 and 47.52 respectively. Continued market concentration and the emergence of heavy industry assisted the growth of large-scale employers. The Broken Hill Proprietary Company (BHP) opened its steelworks at Newcastle in New South Wales (NSW) in 1915 with a workforce of 1,450 and by 1935 had absorbed its only rival at Port Kembla. Combines arose in the glass (1922), paper (1926), chemical (1928) and drug (1930) industries. Overseas companies set up operations behind tariff barriers in the 1920s. In the automobile industry, Ford established plants in Victoria in 1925 to assemble chassis and build bodies, and within a year employed 1,000 workers. GM also established a plant in 1926 and took over the local company, Holden’s Motor Body Builders Ltd., in 1931. While vertical integration was not common, there was some diversification. The number of diversified Australian firms with more than 100 employees grew from 14 per cent in 1910 to 26 per cent in 1930, more than the UK (21 per cent) but smaller than the US (59 per cent). However, where diversification did occur in Australia, it was a narrow extension of existing activities. State enterprises remained large-scale employers. By 1929 the NSW Government Railways (NSWGR) and the Post Office employed 43,972 and 40,545 staff respectively.50

50 Boyce and Ville, The Development of Modern Business, pp. 12–15; Greg Patmore, Australian
The Division of Labour and Technology

The US led the way in both the reorganisation of production and technological innovation. Between the 1890s and the 1920s, US employers in large-scale industries transformed their workplaces. Economic turbulence and increased competition encouraged US employers to reduce their costs of production. They altered the factory environment, changed the flow of work, introduced new production methods, adopted new technology, experimented with wage incentive schemes, reduced the arbitrary power of supervisors and centralised labour control. The systematic management movement, which included Frederick Winslow Taylor’s scientific management, encouraged these trends. Taylorism promoted a set of management practices and an ideological viewpoint which challenged the populist view that workers were the sole creative factor in production and replaced it with the idea that the worker was a passive factor of production and an appendage to a machine. It also represented the bureaucratisation of the structure of control rather than employment as it lacked a notion of a career system. It is difficult to assess the impact of scientific management on management practices as most manufacturers found Taylor’s system too rigorous and adopted only those aspects that suited their particular needs. The absolute peak of managers’ desire to control the production process and eliminate worker economy reached their peak in the disassembly line of meat processing plants and the automobile assembly line of Henry Ford’s Highland Park plant. There was a trend towards larger-scale plants. Highland Park grew from nearly 13,000 employees in 1914 to 42,000 in 1924. Ford’s River Rouge plant, which later became the largest manufacturing plant in the US and probably the world, also employed 68,000 workers in 1924. Another large-scale plant was the Goodyear Tire & Rubber plant at Akron Ohio, which employed 33,000 workers in 1920.51


While there was some deskillling among traditional trades such as glassblowers and iron moulders in the US, common labourers who had once handled materials for skilled production workers became semi-skilled machine operators or parts assemblers. New forms of skill emerged, as all the basic industries, including steel and railways, needed machine makers and maintenance staff. The US mass-production system, with its assembly line and continuous flow of production, increased the vulnerability of capital to industrial action at the point of production as occurred in the automobile industry in the 1930s where key workers could bring the workflow to a halt because of their knowledge of the machinery.52

The developments in the US had an impact on Canada because of its geographical proximity and the growing investment by large-scale US corporations in Canada. US corporations such as Singer, Swift, International Harvester and Goodyear brought with them not only advanced forms of technology but also means of enhancing management control over the production process. US automobile manufacturers such as Ford and GM established Canadian automobile assembly plants that had the most up-to-date production design and special machinery, including the moving assembly line. To compete with the US corporations, Canadian-owned companies were forced to modernise. As in the US, Canadian employers were pragmatic in their adoption of scientific techniques, choosing what they found to be most useful. Further, the impact of technological change and productive reorganisation was uneven, Canadian logging remaining untouched, for example, and most coal mines remaining highly labour intensive.53

While German industry, especially those businesses involved in war production during the First World War, introduced technological and organisational changes during the war and in the post-war transformation to a peacetime economy, there was no sustained modernisation. The post-war inflation and hyperinflation further delayed modernisation as inflation permitted full employment and profits without industrial restructuring.54 While Siemens, for example, adopted Taylorist principles in 1919–22, it established time wages instead of piece-based wage incentive systems as rapid inflation made “adjustment of the piece-based wage calculation both labour

52 Dubofsky, Hard Work, pp. 188–94.
Some industries, such as the Ruhr coal mines, did make changes however. Innovations such as pneumatic jackhammers and coal-cutting machines reduced the proportion of Ruhr coal being mined using manual labour and explosives from over 97 per cent in 1913 to 52 per cent in 1925.56

There was intense German experimentation in industrial restructuring from 1925 to 1929, following the stabilisation of the German currency and the renegotiation of reparations in 1924, which made restructuring both politically feasible and economically essential to meet reparation payments. An influx of US capital made restructuring possible and a rationalisation movement, drawn from the state and the private sector, encouraged the introduction of scientific methods to increase productivity. While some German firms introduced innovations ranging from mechanised tools to sophisticated assembly lines, the transformations within and between industries was uneven. In the steel industry, firms built new blast furnaces and Thomas and Martin steel ovens, which had larger capacities and faster operating times and required fewer workers, and time and motion studies were popular. Management integrated the different stages of production and introduced flow production. In machine making, productive reorganisation and technological innovation were limited by the diversity and multiplicity of firms and the production of specialised quality products. German car manufacturers preferred to focus on a quality vehicle for middle- and upper-class consumers, which led to US imports dominating the small car market and US cars being assembled in Germany by Ford, which opened an assembly plant in Berlin in 1926, and GM, which purchased and modernised Opel in 1929. Overall, the Fordist assembly line in Germany did not develop on a significant scale. While wages rose, so did unemployment due to the closure of inefficient factories and mines or the restructuring of others. The Ruhr mining workforce declined 33 per cent between 1922 and 1928, while production increased significantly. The economic crisis of 1929 eventually either stalled or slowed the modernisation plans of German companies. There was a revival of interest in Fordism and Taylorism after the Nazis’ accession to power in 1933 and the subsequent rearmament.57

In the UK, new technology and methods of organisation were introduced,

including mass production in the munitions industry, particularly during the First World War and the 1930s. In engineering, with the introduction of automatic machine tools and greater mechanisation, and mass production in certain sectors and firms, the proportion of skilled workers fell from approximately 60 per cent in 1914 to 32 per cent in 1933. While the proportion of unskilled workers declined, as in other countries, the proportion of the semi-skilled grew from about 20 per cent to 35 per cent of the labour force. In the chemical industry there was a shift from batch production to semi-continuous and continuous processes; ICI expanded its Billingham complex, where high-pressure chemical technology was used to produce nitrogen fertilisers. However, these changes were uneven, with traditional and newer types of organisation and technology existing side by side. During the Depression and in less prosperous sectors, innovation slowed down. The mechanisation of the coal industry lagged behind Germany and the US, with only 60 per cent of British coal being cut by machines in 1939, compared with virtually 100 per cent in the other two countries. As in Germany, there was a rationalisation movement in the UK, but it was more concerned with structural and financial reorganisation than with patterns of work organisation.58

While there was no dramatic transformation of British industry along scientific management lines during the interwar years, the US consulting firm Charles Bedaux, which established a permanent office in Britain in 1926, worked for approximately 250 firms by 1939 and implemented the Bedaux system of time study and wage incentive systems. The Bedaux system spread rapidly because many of these firms were in the industries that were new and expanding in the 1930s, such as food processing and chemicals, which did not have a traditional craft basis and depended on unskilled or semi-skilled behaviour. Bedaux was also applied in some traditional industries such as iron and steel and textiles. Some of these firms, such as ICI, were industry leaders and set the pace for other firms in their industry.59 The impact of the Bedaux techniques should not be exaggerated because, as Gospel argues, “they were introduced into one particular plant or department and not throughout the whole company.”60


60 Gospel, Markets, Firms and the Management of Labour, p. 55.
British employers generally preferred, however, to rely on traditional methods of intensifying work, such as piecework payment systems to motivate workers, than scientific management. For example, the proportion of metal fitters on piecework grew from 24 per cent in 1906 to 62 per cent in 1938. British employers did not fully adopt scientific management principles because they were concerned about union resistance and criticised scientific management for its failure to consider the human costs of production. In the automobile industry, companies, including Ford, rejected the control aspects of scientific management and mass production, preferring cooperation. They tended to introduce new machinery in an ad hoc manner and were less thorough than their US counterparts in integrating production through the assembly line. Line managers and supervisors in the UK generally were not enthusiastic about scientific management systems, which they perceived to be a threat to their traditional status in the workplace. While overall there were improvements in productivity in the UK, it lagged behind the US and Germany. There were several reasons for this. In some sectors, as labour was relatively inexpensive compared to the US, older plants were using out-dated machinery and traditional working practices. Product markets were also smaller and firms were smaller and less centrally coordinated.61

Due to the smaller domestic market in Australia, manufacturing was based on batch production rather than mass production. Despite this, technological change and productive reorganisation affected most industries, but had varying consequences. In coal mining the level of mechanisation actually fell – the percentage of black coal cut by machinery in NSW declined from 30.4 per cent in 1911 to 12.6 per cent in 1929. There was a slow revival to the 1911 level by 1939. Union opposition, employer reluctance to sink capital into the older fields and technical problems explain this decline in mechanisation. In flour milling, hat-making and paint manufacture there was little mechanisation after the First World War. By contrast, the production of rubber tyres changed from a hand operation in 1920 to tyre machines that were almost automatic by 1938. In the Victorian lamb and mutton export industry, the union lost a strike in 1933 against the introduction of the chain system, which subdivided the meatworker’s task.

There were industries where these changes expanded some skills.62 As in the US, contemporary Australian academic economist Frank Mauldon argued, while the arrival of mass production in the automobile industry in Australia during this period replaced highly skilled craftsmen such as coachmakers with workers possessing a narrower task range, it increased the number of highly skilled toolmakers.63

While there was Australian interest in Taylorism and scientific management techniques were adopted in several Australian industries, they were not widespread and faced considerable union opposition. As early as 1915, the NSWGR management began timing jobs in the railway workshops. Management also experimented with card systems, which transferred the work recording function from the individual worker to the supervisor. The card system provoked the 1917 strike which resulted in the defeat of the unions. Following the strike, management adopted the voluntary bonus system proposed by Frederick Halsey, a competitor of Taylor who rejected Taylor’s view that bonus schemes should be compulsory for workers. The unions were unable to stop the spread of the bonus system in the workplace but eventually persuaded a Labor state government to abolish it in 1932. General Motors-Holden’s (GMH), a subsidiary of the US automobile company with a plant at Woodville, South Australia, introduced a system of time study to clear “bottlenecks” in 1928. The company suspended the study during the economic crisis of the Great Depression and revived it again in 1934.64

As the Australian economy revived from the 1930s depression, there was again limited interest in scientific management. As in the UK, a Bedaux consultancy was established in Sydney in 1930. In 1933 the Federated Clothing Trades Union in NSW began a successful three-year campaign against the Bedaux system. However, the retailer David Jones, which had its own clothing factory, reintroduced the system in 1936. An independent consultant established rates for piece-work based on time study at W.D. and H.O. Wills, the tobacco manufacturer, in the 1930s. Overall, scientific management failed to have an impact on Australian management practice before 1939 because of the small size of manufacturing, the limited number of expert consultants and the absence of a significant corporate managerial elite.65

Table 2.2 highlights the extent to which union organisation varied between the five countries. The level of unionisation was significantly lower in Canada and the US than in Australia and the UK during the interwar period. The British trade union movement went into decline after a peak in 1920, reflecting the stagnant economy of the 1920s and 1930s, suffering a major defeat in the 1926 general strike and did not recover until the late 1930s. The German trade union movement was particularly strong during the early 1920s, but was splintered along ideological lines, with free (socialist), Christian and Hirsh-Dunker (liberal) trade unions. There were also communist and syndicalist unions. From before the First World War, German management had funded “yellow unions,” mainly at the firm or plant level, to cooperate in fighting outside unions, particularly socialist ones, and promote industrial peace. The German unions were ultimately unable to prevent the rise of the National Socialists, who came to power in 1933, and their own subsequent demise. While the British unions had a national organisation, the Trades Union Congress (TUC), since 1868, the Australian equivalent, the Australasian Council of Trade Unions (ACTU) was not formed until May 1927.66

In both Canada and the US, unions affiliated with the American Federation of Labor (AFL) dominated the labour movement. Most of the AFL affiliates were located in competitive small-scale industries such as building. They also had a presence in railways and coal mining. They focused on collective bargaining rather than politics as a key strategy to increase the prosperity of their members. Samuel Gompers, AFL President until 1924, and the majority of the AFL rejected ideas of industrial democracy that prioritised state ownership or worker control, believing that changing ownership would not remove autocratic management. These unions did not really begin to focus on mass-production industries such as automobiles and rubber until the 1930s: the Committee of Industrial Organisation (CIO) broke away from the AFL in 1936 and began organising these industries. In Canada, while unions affiliated with the AFL belonged to a national body called the Trades and Labour Congress of Canada (TLCC), a rival All Canadian Congress of Labour (AACl) was formed in 1926, built around the Canadian Brotherhood of Railway Employees (CBRE). Within French-speaking Quebec, there was also the Canadian and Catholic Confederation of Labour (CCL), which was dominated by Catholic social doctrine and had 50,000 members in 1937.67

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67 Chandler, The Invisible Hand, pp. 493–4; Dorothy Sue Cobble, “Pure and Simple
Table 2.2 Trade Union Membership in Australia, Canada, Germany, the UK and the US, 1914–39 (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Australia</th>
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<th>Germany</th>
<th>UK</th>
<th>US</th>
</tr>
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</tr>
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<td>30.2</td>
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<td>1938</td>
<td>38.8</td>
<td>17.7</td>
<td>n/a</td>
<td>30.5</td>
<td>14.0</td>
</tr>
<tr>
<td>1939</td>
<td>39.2</td>
<td>16.8</td>
<td>n/a</td>
<td>31.6</td>
<td>14.9</td>
</tr>
</tbody>
</table>

Generally the unions in all five countries represented mainly the interests of male blue-collar workers, and significant groups of workers were unrepresented or had to form their own unions to defend their interests. Women were denied access to many jobs and faced occupational segregation and wage discrimination. Women constituted 20 per cent of the paid Australian workforce in 1911 and 23 per cent by 1933. In 1933, 41 per cent of women worked in occupations where 90 per cent or more of workers were female and 68 per cent worked in occupations where 50 per cent or more of workers were female. Women did not work in industries such as heavy manufacturing or building and construction and from 1919 the federal basic wage for women was 54 per cent of that for men. There was also discrimination on the basis of ethnicity and race. On the US railways, white unions sought to reduce and eliminate the number of Afro-American workers through strikes, threats and violence. One of the best-known groups of Afro-American railway workers, the Pullman porters, formed the Brotherhood of Sleeping Car Porters (BSCP) in 1925 to protect their interests.

In Australia, the UK and Germany, prior to 1933, there were significant labour or social democratic parties that could ensure a direct voice for trade union interests in the legislature. The Australian Labor Party (ALP) had majority government both in the states of South Australia (SA) and NSW and federally by 1910. While it subsequently only held federal office before the Second World War, from 1914 to 1916 and from 1929 to 1931, the ALP did hold office at the state level, notably in Queensland from 1915 to 1929 and from 1932 to 1957. In the UK, the Labour Party benefited from the extension of the parliamentary franchise to all adult men and most women over 30 in 1918 to overtake the Liberal Party as the official opposition to the Conservative government following the 1922 national elections. The British Labour Party formed minority governments in 1924 and from 1929 to 1931 following the first election with universal adult suffrage. The German Social Democratic Party (Sozialdemokratische Partei Deutschlands or SPD) played a crucial role in the establishment of the Weimar Republic and coalitions that formed several governments before

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68 Patmore, Australian Labour History, pp. 169–70.

1933. It had a strong influence in at least four German states, including Prussia, and at the municipal level in industrial areas and large urban centres. The SPD was committed to democracy and willing to use force against the radical left, despite a long-term commitment to socialism, but its Marxist rhetoric limited its appeal beyond its traditional base among workers in industries such as coal and steel. The SPD remained the largest party in the Reichstag, the lower house of parliament during the Weimar Republic, until 1932, when the Nazis gained more seats and eventually outlawed the Social Democrats in 1933.  

By contrast, there were no significant labour or social democratic parties in Canada or the US. The US saw the early rise of mass political parties. By the mid-nineteenth century, universal suffrage for free white males was the norm in the US as property and taxation qualifications were removed. There were decentralised mass political parties that emphasised neighbourhood, ethnic and religious ties and hinged on the political patronage of the spoils system. These parties, which predated the rise of an industrial working class and were not based on class, persisted.  

In a comparison with Australia, Robin Archer has argued that there are a number of reasons for the failure of a labour party to form in the US. They include the level of state repression of the labour movement, particularly the use of the military and the police, the impact of religion on politics and socialist sectarianism. Unlike the US, unions were formed in Australia that covered large numbers of unskilled and semi-skilled workers, particularly agricultural workers in rural areas. The AFL feared that if US unions took up partisan politics then union solidarity would be undermined through political and religious loyalties. These attitudes were carried to Canada by the US international unions and are an important factor in explaining the late formation in Canada of the Co-operative Commonwealth Federation.

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(CCF), which never achieved the level of electoral success of the Australian Labor Party.\textsuperscript{73}

In all the countries examined there were radical challenges to mainstream labour politics through groups such as the Industrial Workers of the World (IWW) and communists. The IWW originated in the US and initially concentrated upon reorganising trade unions along industrial lines and forming One Big Union (OBU). However, under the influence of the Chicago school of the IWW, the movement became anti-political, rejecting labour parliamentarianism. The IWW enjoyed particular success in US mining and textiles, leading for example a strike against CF&I in 1927–28 that involved thousands of coal miners.\textsuperscript{74} Though the membership of the IWW remained small, it faced government persecution in Australia and the US,\textsuperscript{75} and by the 1930s it was a “shadow of its former self” in the US.\textsuperscript{76}

Communist parties arose in all five countries in the wake of the Russian Revolution. Though they generally struggled to gain industrial and political influence in the 1920s, the fortunes of communist parties improved with the Great Depression and disillusionment with the failure of the established labour movement to protect workers. While in the US the AFL was hostile to Bolshevism and most AFL unions banned communists from union leadership during the 1920s, the CIO recognised the value of communist activism and enrolled communists as organisers to enrol new members in mass-production industries. They played a crucial role, for example, in the Steelworkers Organising Committee (SWOC), which was affiliated to the CIO. In Germany, the Communist Party (Kommunistische Partei Deutschlands or KPD) at its peak had 400,000 members in 1920 and, despite splits, 200,000 members in 1931. In the November 1932 Reichstag elections, it won 17 per cent of the popular vote and 100 seats. KPD supporters clashed violently with the supporters of the Nazis, who outlawed the KPD and other political parties after forming their first government in 1933.\textsuperscript{77}

\textsuperscript{73} Bray and Rouillard, “Union Structure and Strategy in Australia and Canada”, p. 216.
\textsuperscript{74} Roediger, “Industrial Workers of the World”, p. 386.
\textsuperscript{76} Roediger, “Industrial Workers of the World”, p. 386.
 Employers and Managing Labour

Management ethos and the degree of employer organisation varied across these economies. In the US there was a greater and growing interest in more sophisticated personnel management practices to improve worker commitment, morale and productivity. The founders of the personnel management movement called for a recognition of the “human factor” and a more systematic approach to labour management. Larger firms were concerned about the growing communication gap between management and employees and had the resources to deal with the problem. These larger companies also had a significant number of university-educated managers who were steeped in the principles of scientific and personnel management. The first national conference of personnel managers was held in 1916 and the National Association of Employment Managers (soon to be renamed the Industrial Relations Research Association of America) was formed in 1918 to promote the study of employment problems. There was a range of associations with an interest in employment relations, including the Taylor Society; the National Industrial Conference Board (NICB); the Special Conference Committee (SCC), which was linked to John D. Rockefeller Junior (hereafter JDR Jr.) and established in 1919 to coordinate the labour relations policies of ten leading US corporations; and the liberal Personnel Research Federation, one of whose charter members was the AFL. A key employers’ association was the National Association of Manufacturers (NAM), which had been formed in the late nineteenth century to coordinate business opposition to unions. The NAM led the Open Shop Campaign against unions in the wake of the First World War and had a membership of more than 5,000 by the early 1920s. From the late 1920s representatives from large firms began to replace the small business owners who had led the NAM.  

Large US firms continued to rely on welfare strategies which were developed before the First World War to ensure worker loyalty and included housing, health, education, recreational and profit-sharing schemes for employees. According to a 1926 survey of the 1,500 largest firms in the US, 80 per cent had at least one welfare programme, and approximately half,
including Ford and US Steel, had comprehensive programmes. While the 1930s depression saw cutbacks in personnel management departments and welfare programmes, there was a revival of welfare schemes, particularly with regard to pensions and health insurance, as the economy recovered. The US, particularly during the 1920s, became a beacon for overseas managers interested in ideas such as personnel management, scientific management and mass production, and received numerous delegations and visits from Australia, Germany and the UK.  

In Canada, employers adopted a similar management ethos and labour management strategies to their US counterparts. University extension courses on personnel management were developed and management groups formed, such as the Employment Managers Association in Toronto in 1919, which two years later became the Industrial Relations Association of Toronto. Industrial unrest at the end of the First World War encouraged larger Canadian employers to expand welfare programmes in order to maintain employee loyalty and weaken the unions. Branch plants of US companies, such as International Harvester, GM and Imperial Oil, Standard Oil's Canadian subsidiary, had elaborate and well-publicised corporate welfare programmes. Canadian corporations in the steel industry established district offices or departments of industrial relations for the first time, introduced new pension schemes, established company newsletters to communicate with employees, adopted safety first programmes and expanded recreational programmes. While some Canadian employers may have dismantled welfare programmes as the union threat faded in the 1920s or cut specialist labour management departments to save money during the 1930s depression, these strategies persisted in some firms, such as Westclox, a US clock manufacturer based in Peterborough Ontario, while others, such as Dafasco, a steel producer in Hamilton Ontario, introduced them to counter a union resurgence in the late 1930s. Overall, caution must be exercised in assessing the impact of welfarism on Canadian industry due to the smaller scale of industry than in the US, the continued reliance by employers on a drive system in which supervisors motivated workers with the fear of dismissal in a climate of labour oversupply to ensure worker loyalty, and employer exaggeration in their claims of innovation in the area of welfarism.  


German industry had been seen as a leader in the implementation of welfare programmes prior to the First World War. The war and the Weimar Republic saw an expansion of personnel management in large firms such as Siemens. In 1919, Carl Friedrich von Siemens created the new position of “common board adviser in personnel policy” to supervise and coordinate the company’s personnel policy. All Siemens’ plant managers were asked to install a work office (Arbeitsbüro), which reduced the functions of supervisors and relieved them of their previous autonomy in workplace labour management. The work offices centralised the hiring of workers, the setting of rates and the assignment of jobs. Carl Friedrich von Siemens also played a crucial role in the formation in 1921 of the Reichskuratorium für Wirtschaftlichkeit (RKW), which brought together industrialists, academics and government officials to promote economic and industrial efficiency along the lines promoted by Frederick Winslow Taylor and Henry Ford. The RKW did not actively seek the participation of organised labour. During the 1920s and the 1930s, Siemens continued to rely on welfare programmes such as housing and company-sponsored social activities such as sports and stamp collecting to promote employee commitment to the company.81

In the UK, after the First World War a management movement developed that drew upon a range of literature and individuals such the Quaker industrialist Seebohm Rowntree, whose York chocolate factory implemented various ideas including employee representation and scientific management. New research organisations were established, such as the National Institute of Industrial Psychology (1921) and the Management Research Group (1926). There was an expansion of university courses on commerce and administration. Professional institutions such as the Institute of Industrial Administration (1920) and the Institute of Cost and Work Accountants (1919) were established to harmonise practices and develop new ideas. British managers aspired to both professionalism and independence from their employers, but despite the trends towards management professionalism, patronage and nepotism remained the foundations of management in the UK.82

The UK also saw a strengthening of the pre-war interest in welfarism as a result of the First World War and the intense merger activity that followed it, which increased the size of business and highlighted the need for better

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82 Wilson, British Business History, pp. 149, 153–4.
communication with employees. In January 1916, the government appointed Rowntree to be head of the newly formed Welfare Department of the Ministry of Munitions to encourage the employment of welfare officers and train them. There were particular concerns about the health and welfare of the growing numbers of women being employed in munitions factories. The number of full-time welfare officers grew from under 100 at the beginning of the war to over 1,000 in 1918. Employers formed the Industrial Welfare Society in 1919 to promote welfarism in order to “revive the old friendly relations between masters and men.” Beside the post-war increase in the number of welfare specialists, the status of welfare work rose, to that of personnel management, with male managers of higher status replacing female welfare officers. Though by 1939 there were 2,000 managers engaged full-time in labour matters in larger enterprises, as Gospel argues, “it is important not to exaggerate the sophistication of labour management in Britain at this time.”

In Australia the concept of a managerial profession was underdeveloped; there were no specific management training programmes or professional management institutions. There was an interest in welfarism, but this was limited to a small number of firms, particularly larger ones. During the First World War, the NSWGR expanded existing welfare organisations like the Railway Institute or created new ones, such as the Safety First Movement, to enhance worker loyalty, reduce labour radicalism and improve productivity. A period of political and industrial upheaval between 1917 and 1921 encouraged other employers such as retailers to formalise existing practices and provide new welfare facilities. In Sydney retailing, Farmers and Anthony Hordens employed welfare officers. By 1931, 76 establishments in Australia had welfare schemes. There were 17 in the clothing industry and 11 in retailing. The welfare programmes included dining, recreation and rest rooms (53 firms), subsidised clubs and institutes (34 firms) and sick and/or accident funds (21 firms). Although the economic problems of the 1930s forced some employers to cut back welfare schemes, they were revived when economic recovery permitted.

Employers in all five countries adopted a range of approaches to unions. US employers adopted an aggressive stance towards them. The Open Shop Campaign or the American Plan, particularly during the early 1920s, targeted the weakened labour movement through patriotism, claiming that unionism

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86 Gospel, Markets, Firms and the Management of Labour, p. 50.
was a continued threat to the American spirit underlying the Declaration of
Independence. Tactics included labour espionage, as used by CF&I. 88

In the favourable legal and political environment for organised labour
following the election of Roosevelt in 1932, union organisers faced continued
employer hostility. Harry Bennett, who directed Ford's labour policies
towards the United Automobile Workers (UAW) union, which was trying
to organise its automobile plants, "personally assembled the world’s largest
private army, and established the most extensive and efficient espionage
system in American industry." 89 Bennett’s Service Department had branches
in every Ford assembly plant in the US and his “service squads,” supplied
with a range of “persuaders,” including blackjacks and pistols, would disrupt
union meetings and assault union organisers. GM and Chrysler, Ford's
major competitors, preferred to contract out their anti-union activities to
professional labour spying agencies, GM endorsing an armed vigilante
organisation in Anderson, Indiana, which threatened strikers and ransacked
union offices. 90

Canadian employers adopted similar tactics to their US counterparts.
In the steel industry, attempts to organise unions were met with instant
dismissal and strikers were blacklisted in the wake of unsuccessful strikes.
There were networks of spies and several steel companies employed the
Thiel Detective Agency, the US industrial espionage and strikebreaking
agency, at the end of the First World War. These tactics continued with the
resurgence of unions in the steel industry in the late 1930s. Dafasco, the steel
company in Hamilton Ontario, dismissed union organisers and members of
a union executive and threatened other workers with dismissal if they joined
unions. 91

In Australia, Germany prior to 1933, and the UK, employers faced a
stronger collective organisation of labour and more extensive processes
of industrial relations either through formal industry-wide collective
bargaining or state regulation. Employers coordinated their industrial
relations activities through employer associations whose strength varied
according to the coverage of trade unionism in their particular industry.
British employers formed the Federation of British Industries (FBI) in 1916,
which desisted from dealing with labour relations after member complaints

88 Patmore, “Employee Representation Plans in the United States, Canada and Australia”,
p. 48; Jonathan Rees, “‘X,’ ‘XX’ and ‘X-3’: Labor Spy Reports from the Colorado Fuel and
89 Stephen Norwood, “Ford’s Brass Knuckles: Harry Bennett, The Cult of Muscularity,
91 Heron, Working in Steel, p. 97; Storey, “Unionization versus Corporate Welfare”,
pp. 16–17.
concerning its progressive report on sickness and unemployment benefits, redundancy payments and the guaranteed week. Against the background of industrial unrest following the First World War, employers formed a new National Confederation of Employers’ Organisations (NCEO) to coordinate their position and constitute their side on a National Industrial Council, which never eventuated. By 1920 it claimed to cover over 7 million workers and approximately 90 per cent of organised employers. The most centralised employers’ organisation for industrial relations was in Germany, where the two national employers’ associations merged in 1913 to form the Vereinigung der Deutschen Arbeitgeberverbände (VDA), which by 1929 had a membership of 180 employers’ associations and covered approximately 6.4 million workers. Employers’ associations were formed later in sectors such as retailing/wholesale and agriculture in response to the 1918 revolution and a surge of unionism in those industries.92

While employers’ associations engaged with unions, this did not mean that the employers in the three countries (Australia, Germany and the UK) did not engage in struggles with unions at the workplace level or develop explicit anti-union strategies. BHP, Australia’s major steel producer, victimised delegates, established a short-lived company union after the 1917 general strike and used salaried staff as strike-breakers. The company used a lockout and the closure of its Newcastle steel plant in 1922 as a pretext to secure cuts in wages and working conditions. For two decades following the onset of recession in 1920, British employers went on the offensive against organised labour, particularly in depressed staple sections of the economy such as cotton textiles, heavy engineering and coal mining, victimising union activists, using strike-breakers and lockouts to discipline unions.93

In Weimar Germany, employers became increasingly critical of the role of unions and the state in the management of their businesses, particularly in terms of welfare legislation, notably unemployment insurance, and collective agreements. Employers’ associations had links with several institutions established to provide strike and lockout compensation, with premiums generally based on payrolls. The largest of these organisations was the Deutsche Streikschatz, which was affiliated with the VDA. In October 1928, Ruhr iron and steel industrialists locked out 250,000 metalworkers for

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93 McIvor and Wright, “Managing Labour”, p. 56.
five weeks in protest against a decision by an Arbitration Court to increase hourly rates, which they claimed would eliminate profits and make them uncompetitive on world markets. Employers and unions ended the lockout by agreeing to accept a decision on the wage increase by the Minister for the Interior following a further review.\(^94\) After the Ruhr lockout, employer disillusionment with the government continued and grew to the point that by “1933 industry wanted rid of the Weimar Republic.”\(^95\)

**The Role of the State**

There are strong similarities in the development of the state in Australia and Canada as both were major white settler colonies of the British Empire. Both evolved into industrial capitalist, self-governing federal states with parliamentary political systems. They shared similar imperial legacies and political systems, their federal governments having a bicameral parliament as in the UK. While there was no equivalent to the largely hereditary House of Lords in the UK, senators were appointed to the federal Canadian Senate by the Canadian Governor-General on the advice of the Canadian Prime Minister and elected to the Australian Senate on an equal basis for each of the six states. One legal link to the UK initially shared by Australia and Canada was that the Judicial Committee of the Privy Council in London was the final court of appeal for both countries. While this appeal process was expensive and unpopular, the Judicial Committee’s “arm’s length” approach to constitutional issues could influence developments in the distribution of power between federal and state governments. One major difference was that in French-speaking Quebec there was a distinct cultural and linguistic component of Canada that had no Australian equivalent.\(^96\)

The Constitution Act or British North America Act 1867 provided the legal basis for federal government in Canada. It was a compromise between a desire for a strong central government and the need to recognise the differing cultures and institutions of the various provinces, particularly French-speaking Quebec. The specific powers of the federal government are outlined under Section 91, which include defence, foreign policy, trade and transportation, while Section 92 sets out specific powers for the provinces,


such as health, property and education. There were concurrent powers for immigration and agriculture. If anything fell outside these specified powers, such as industrial relations, it became a matter for the courts to decide.97

The writers of the Australian Constitution drew heavily upon the US Constitution. The two new houses of federal parliament were the same as the two houses of the US Congress. Specific legislative powers were given to the federal government, including power covering trade and commerce with other countries and among the Australian states, and unspecified state legislative powers. As in the US Constitution, there was a provision for Commonwealth law to override state law if inconsistency arose.98

One specific departure from the US Constitution was a provision for the Australian federal parliament to legislate “conciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one state.”99 This provision reflected concerns over the impact of strikes, such as the 1890 maritime strike, on interstate trade, particularly from the relatively isolated Western Australia. The states still retained power over intrastate labour issues.100

In the US, the state was based on a decentralised federalist constitutionalist republic. While the US Constitution established a central federal government, it created ambiguity by creating structured conflicts between key institutions such as state governments and the courts.101 The US Constitution limited the powers of the federal legislative body to specific areas such as the power “to regulate commerce with foreign nations, and among the several states, and with the Indian tribes.”102 There was also provision for federal law to pre-empt or supersede state law if there was a conflict between the two, and the tenth amendment of 1791 provided that “powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved for the States respectively, or to the people.”103 As in Australia and Canada, the tension over “states rights” was an important dynamic in the development of national labour relations jurisdiction. While the three countries shared a federal system, the president and state governors in the US have significant executive powers compared to the largely ceremonial role played by the Queen’s representatives in Australia and Canada. The power of the legislature was enhanced in Australia and

99 Australian Constitution, Section 51 (xxxv).
100 Patmore, Australian Labour History, pp. 113–14.
101 Skopcol, Protecting Soldiers and Mothers, pp. 44–6; Tomlins, The State and the Unions, pp. 21–3.
102 US Constitution, Article 1, Section 8.
103 US Constitution, Article 6, Amendment 10.
Canada by their common law courts following the English tradition of parliamentary supremacy.  

In contrast to England, in the nineteenth century and early twentieth century there was no professional Civil Service or non-judicial state elite in the US that consisted “of high-placed policymakers.” The lack of a rival state elite assisted the courts. The US legal and judicial elite became a major source of state and national policy in a wide range of areas including labour relations. There was no parliamentary supremacy or countervailing tradition of statutory regulation. Federal and state judges were largely drawn from wealthy Republican backgrounds and had little sympathy for labour.

Germany, which also had a federal system of government, underwent a number of changes between 1914 and 1939. At the outbreak of the First World War, Germany was a constitutional monarchy with a Kaiser and an elected parliament based on franchise for males over 25. While the Reichstag authorised the funding of the war on 4 August 1914, it also delegated its powers to the Bundesrat, the less democratic German upper house that consisted of state representatives and was dominated by the Kingdom of Prussia, for the duration of the war. The military stalemate led in August 1916 to the war effort being placed in the hands of General Paul Von Hindenburg and Erich Ludendorff who, despite their victories on the Eastern Front against Russia, were unable to achieve victory by November 1918.

The German Revolution of November 1918 led to the abdication of the Kaiser and the proclamation on 11 August 1919 of a new Weimar Constitution, which provided for female suffrage, the equality of men and women, the protection of basic liberties such as free speech, proportional representation and a re-established federal system of government which gave more power to the central government than the previous constitution. The Weimar Constitution also contained a provision that recognised a revolutionary government reform which made collective bargaining legally binding. A weakness of the constitution was the President, who was elected every seven years and had the power to appoint the Chancellor and the Cabinet. The President also had wide-ranging emergency powers under Article 48 of the Constitution to rule by decree, which the first President, Social Democrat Friedrich Ebert, and his successor, the staunch monarchist

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Paul von Hindenburg, who became President following the death of Ebert in 1925, used extensively and not necessarily in the interests of upholding the principles of the Weimar Republic. As there were difficulties in getting a consensus in the Reichstag due to the large number of parties elected through proportional representation, Article 48 became a regular means of governance when the Reichstag could not agree. Hindenberg, who was not sympathetic to the Weimar Constitution, appointed Chancellors such as Brüning, Franz Von Papen and Hitler, who wanted to overthrow the republic.\(^{108}\)

With the accession of the Nazis to power in January 1933, the Reichstag passed an Enabling Act on 23 March 1933, which gave Hitler’s Cabinet the right to rule by decree without referring to the Reichstag or the President. The Nazis won sufficient votes by threatening civil war and winning over Catholic Centre Party deputies with the promise of a Concordat with the Vatican guaranteeing Catholic rights. By the middle of July 1933, Germany was a one-party state; all opposition parties were outlawed.\(^ {109}\)

The role of the state in labour relations in the five countries had similarities and differences. All countries established ministries or departments of labour at national or provincial levels to investigate labour issues and promote new ideas such as employee representation. While Australia did not establish a Department of Labour or National Service until 1940, there were labour ministries at the state level, NSW being the most significant in promoting workplace employee representation. In Germany, between the November 1918 revolution and the Nazis’ accession to power in 1933, there was government regulation of collective bargaining with guarantees of freedom of association for workers, the establishment of conciliation boards and a provision from November 1923 giving both the Minister of Labour and conciliation officers the power to make a binding decision in any collective dispute. There was also extensive intervention in workplace labour relations through the 1920 works council legislation and a system of labour tribunals, which commenced operations on 1 January 1927 and replaced the ordinary courts which unions considered to have a class bias. These courts had a wide jurisdiction over individual and collective labour disputes, but not the finalisation of collective agreements. They operated at three levels: the local, the state and the national (the Reich Labour Court), which was a division of the conservative Reich (Supreme) Court. While there was a principle of voluntarism in terms of limited state intervention in industrial relations in the UK, there was a legislative provision for trade boards, which were


bargaining bodies comprising representatives from business, unions and the state in low-wage industries where there was insufficient organisation among management and labour. They set legally enforceable minimum wages and conditions, which reduced wage competition and potential industrial conflict.¹¹⁰

Australia had the most comprehensive regulation of industrial relations through compulsory arbitration and wages boards. The Australian arbitration system recognised unions and gave them a role in the determination of legally binding awards. Trade unions were an essential feature of the Australian system of compulsory arbitration and there was little incentive to seek union-management cooperation. Registered unions brought grievances to the industrial tribunals on behalf of workers. Compulsory arbitration assisted union growth and gave unions a role in the determination of legally binding awards covering wages and conditions. Unions also obtained security against rival unions, rights of union entry into the workplace and clauses in arbitration awards that gave preference to unionists in promotion and retention. The compulsory arbitration system emphasised the importance of unions in giving a voice to Australian workers.¹¹¹ As Stuart Macintyre has noted, “the system of industrial arbitration transformed unions from associations tolerated by the state into protected organizations that the Court recognized, assisted and regulated.”¹¹²

Australian employers had initially opposed state intervention through compulsory arbitration, but they also realised that it had advantages. While industrial arbitration awards reduced employer flexibility in terms of labour costs, they minimised wage competition for large firms from smaller, lower-wage producers. Arbitration tribunals provided another source of labour discipline during industrial disputes by deregistering unions, as occurred in the 1917 general strike in NSW, fining strikers and their unions, and even jailing workers and union officials. While they were independent, they favoured employers in industrial disputes for they commonly viewed the national and industry interest as one. Arbitration tribunals could also impose restraints on wage increases, as they did during the inflation of the


First World War, and even cut wages, as the Commonwealth Arbitration Court did in 1931 during the Great Depression when it reduced the basic wage by 10 per cent. The tribunals also preserved managerial prerogative by placing limits on the “industrial matters” that could be contained in industrial agreements and awards.\textsuperscript{113}

Canadian legislation did not go as far as the Australian, only making provisions for the conciliation and investigation of industrial disputes. The most significant Canadian legislation was the federal 1907 Industrial Disputes Investigation Act (IDIA). The IDIA was drafted by William Lyon Mackenzie King, federal Deputy Minister of Labour from 1900 and federal Minister of Labour from 1908 to 1911, who later played a key role in the development of the Rockefeller ERP. The legislation designated a mandatory “cooling off” period during which strikes and lockouts were prohibited until a tripartite board, after a compulsory investigation, completed a report on the dispute. The parties were not compelled to recognise each other or to accept the terms of the report. The IDIA applied to key “public utilities,” such as coal mining, whose uninterrupted operation was essential for the Canadian economy, or industries that had certain monopoly-like characteristics. The federal government claimed that the legislation’s coverage of public utilities was drawn from its residual power in the Constitution to legislate for the peace, order and good government of Canada. While the IDIA did not directly cover other significant industries, such as iron and steel, parties in these industries could invoke the Act’s provisions if both parties agreed. During the First World War the Canadian federal government extended the IDIA to cover munitions workers under the Wartime Measures Act.\textsuperscript{114}

The IDIA was to run into difficulties after the First World War. The Canadian state played a major role in the defeat of the 1919 labour revolt, which involved general strikes in Winnipeg, Toronto and Amherst and was fuelled by fears of unemployment, inflation and demands for shorter hours, and the 1922 Cape Breton coal strike, shattering the notion of state impartiality regarding industrial conflict. Canadian employers also lost interest in the legislation as the Canadian trade union movement went into decline in the early 1920s. The IDIA came under legal challenge when the British Privy Council, in the \textit{Snider} case of 1925, declared that it was unconstitutional. The provinces had the right to make laws regarding the civil rights of employers and employees, except in areas specifically within the domain of the federal government. The only time that this power could revert to the federal government was in a time of national crisis.

\textsuperscript{113} Wright, \textit{The Management of Labour}, pp. 31–2.
The TLCC lobbied the federal government to have the constitution altered to restore federal jurisdiction and ensure uniformity of labour standards. The federal government merely amended the Act to ensure that it met the constitutional limits set out by the Court and left it open for the provinces to allow local employers and unions the option of accessing the federal system. Several provinces, including British Columbia, Manitoba, New Brunswick and Saskatchewan, legislated to allow the IDIA to apply to their jurisdictions. After setting up its own local disputes machinery in the midst of the Cape Breton miners’ strike of 1925, in 1926 the newly elected Conservative Nova Scotia government scrapped the legislation and decided to apply the federal IDIA to the province. Alberta decided to develop its own local system, but soon decided to apply the federal legislation to mining and public utilities following requests from the provincial Alberta Federation of Labour. Rural Prince Edward Island ignored the legislation given the low level of trade union activity in that province, and the two largest provinces, Quebec and Ontario, refused to accept the legislation, reflecting their strong views on provincial rights and the low level of industrial disputes in the industries that would be covered. They only opted to join the federal scheme following the urging of the TLCC in 1932, when industrial unrest began to increase.\(^{115}\)

No federal or state legislation in the US recognised unions or gave them a role in the determination of legally binding awards. As David Brody argues, the direct impact of the state in the US before the 1930s was on the whole “essentially negative” for trade unions, its role “serving mainly to underwrite and legitimate the unilateral rights of management.”\(^{116}\) Even if progressive state legislature intervened in the workplace, state and federal courts would invalidate it on the grounds of state rights, “liberty of contract” and “property rights.” From the 1880s courts issued an injunction, usually a temporary restraining order, on behalf of an employer against a striking union. The employer would complain that the actual or prospective strike was an “unlawful interference with the conduct of his business.” There were seldom any witnesses, there was no jury and only a limited review of courts’ decisions. While the injunction was in force, the employer could undermine the union through victimisation and organising strike-breakers. The number of labour injunctions in the US grew from approximately 105 in the 1880s to 2,130 in the 1920s.\(^{117}\)


US labour law became more favourable towards the unions during the late 1920s and the 1930s depression. The first industry to see a change was the railways, which played a key role in the national economy, and strikes, such as the 1922 national railroad shopmen’s strike, could have disastrous economic effects. To bring stability to the industry, President Calvin Coolidge called upon railroad employers and unions to devise labour legislation that would prevent industrial unrest. The railway unions and their political allies in Congress secured the passage of the Railway Labor Act in 1926. It was the first comprehensive federal legislation to recognise the right of employees to form unions and engage in collective bargaining. Employers could not designate labour representatives through “interference, influence or coercion.”

The severe economic depression of the 1930s greatly undermined popular faith in business in the US and provided a favourable climate for pro-labour legislation. The call for change underpinned Franklin D. Roosevelt’s victory in the 1932 presidential election with a margin of almost 7 million votes over the incumbent President Herbert Hoover, only six states failing to support the Democratic Party. Earlier that year, Congress had passed the Norris-La Guardia Act, which represented a fundamental turning point in US federal labour law. The legislation prohibited federal courts from issuing injunctions in any labour dispute regardless of the strike’s purpose. The law prevented judges from enjoining a strike because the judge did not approve of its goal or methods. President Roosevelt’s New Deal National Industrial Recovery Act (NIRA) of June 1933, which provided an economic stimulus, encouraged labour organisation in terms of both employer sponsored ERPs and trade unions. Section 7(a) of the Act “primed the pump” by recognising workers’ rights to bargain and organise collectively through their own representatives without employer interference. The Supreme Court declared NIRA unconstitutional in 1935.

The same year, however, Congress passed the National Labor Relations Act, referred to as the Wagner Act. An alliance of progressive liberals and the labour movement underpinned the legislation. The AFL lobbied

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hard for the legislation. The economic problems of the Great Depression challenged its long tradition of voluntarism in industrial relations. Workers applied pressure through strikes, including sit-downs. The forces opposing the legislation, primarily business interests, including the NAM, and the Republican Party, were considerably weakened by the political and economic climate of the mid-1930s.  

Carefully drafted to meet Supreme Court constitutional objections, the Wagner Act established employees’ right to join unions and engage in collective bargaining. It established unfair labour practices, making it unlawful for an employer to interfere with an employee’s right to join a union and engage in union activities. Employers were required to bargain in good faith with unions and prohibited from discharging or otherwise discriminating against employees for engaging in union activities. The legislation outlawed the ERPs, which it condemned as “sham organizations” that impeded economic recovery. The legislation established procedures by which employees could elect their own bargaining agent and not be forced to accept ERPs. It created the three-member National Labor Relations Board (NLRB) to interpret and apply the Act. The NLRB had power to enforce its rulings and developed a body of binding case law. While the Wagner Act was concerned with whether workers preferred union representation, the Australian legislation assumed that workers preferred union representation. The majority of the Supreme Court upheld the legislation as constitutional in May 1937.

While the state played a role in repressing labour unrest through the police and the military in all five countries, this was particularly notable in the US and Canada, where it played a crucial role in the extension of ERPs in several instances by weakening and even destroying trade unionism in particular workplaces. As Badger has argued, “before the New Deal the coercive power of the state had been largely arrayed against labour.” Public officials at all levels of government showed a willingness to use force against union activists and strikers. Local government officials tended to act as an “arm of employers” and state governors reinforced this bias by calling out the National Guard, “ostensibly to maintain law and order, in practice
to protect scabs, keep plants open, and break strikes.”

One notable US example is the Ludlow massacre, which occurred on 20 April 1914 during a violent coal miners’ strike in Colorado led by the United Mine Workers of America (UMWA) against CF&I and other coal firms. A gun battle between Colorado National Guard and the miners at the Ludlow strikers’ camp that left ten men and one child dead. A tent fire asphyxiated 11 children and two women after the National Guard overran the camp and put the tents to the torch. There was public outrage against CF&I and the Rockefeller family, which had the largest shareholding in CF&I, and the massacre opened the way for the introduction of the ERP at CF&I. In Canada, state repression played a major role in the suppression of labour unrest in 1919 and continued with the intervention of almost 1,000 troops and another 1,000 special police in the 1922 Cape Breton coal strike. In the wake of a defeated strike at the Sydney Nova Scotia plant of the British Empire Steel Corporation (BESCO) in 1923, which saw the deployment of machine guns and mounted police and helmeted soldiers charging picket lines with fixed bayonets, the company introduced an ERP without a vote, despite previous worker opposition.

**Conclusion**

This chapter has examined a number of factors that have been indicated as important in promoting or retarding schemes of workplace representation. While economic prosperity can encourage schemes of workplace employee representation as a way of reducing labour turnover and increased labour unrest, the period 1914–39 saw mixed economic fortunes in Australian, Canada, Germany, the UK and the US. The US economy represents the strongest case for the economic prosperity argument with its favourable economic conditions from the outbreak of the First World War until 1929, with the exception of 1920–21. The Canadian economy, which was closely linked to the US economy, followed a similar pattern. While the UK economy was also stimulated by the war, its economic performance was poor in the 1920s, and Germany faced major strains both during the war and the 

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1920s, though it enjoyed a brief period of relative prosperity from 1926 to 1929. While the Australian economy did not boom to the same extent as the other during the First World War, it recovered during the 1920s following a slump in 1921, but unemployment never dropped to the low levels of Canada or the US. After 1929, all five economies were hit by the Great Depression to varying degrees and had to wait until the outbreak of the Second World War to fully recover.

If the scale and structure of industry and the division of labour, particularly in terms of mass production, were important in encouraging employee representation, then the US would again provide the most favourable environment for the development of employee representation in the workplace. Germany and the UK also had large-scale firms, but multidivisional forms of organisation did not take off in these countries until after the Second World War, and they had a tendency to deal with internal and external competition by forming trade associations or cartels. Canadian firms had a tendency toward mergers and large US corporations formed Canadian branch plants. Australia had the least-developed economy in terms of firm size and the organisation of work.

The prospects for the adoption and success of schemes for workplace employee representation were dependent on unions, management and the state. Schemes, particularly those that saw workplace employee representation as a substitute for trade unionism, were less likely to succeed in Australia, Germany (particularly before 1933) and the UK, where there were substantial trade union movements with favourable political parties and established systems of industrial regulation either through collective bargaining or state tribunals. Where unions were weak and faced a more hostile state, as in the US and Canada, employers had a greater chance of introducing these schemes, particularly if they were part of an anti-union strategy. In the US, which had the most developed management ethos and where managers had greater access to ideas such as welfarism and personnel management, the notion of workplace employee representation had a great appeal as a means of obtaining worker loyalty and improving productivity.

The next chapter focuses on four concepts of workplace employee representation that developed between 1914 and 1939: the ERP, Whitley works committees, German works councils and union-management cooperation. The chapter looks at their origins and the essential underlying elements in terms of structure, power, legal status, relationship to management and impact on trade unionism.