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Solving the Labour Problem at Imperial Oil: Welfare Capitalism in the Canadian Petroleum Industry, 1919-1929

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Résumé de l'article

Faisant face à l'agitation industrielle dans chacune de ses raffineries de pétrole canadiennes, la Compagnie Imperial Oil s'est engagée dans une initiative variée de relations industrielles en 1919. Modelée sur le «plan Rockefeller de Mackenzie King, la logique était claire: des conseils mixtes de patronat et de travailleurs diminueraient le mécontentement parmi les ouvriers; un contrat global d'avantages sociaux réduirait l'absentéisme et le renouvellement de personnel; et un plan pour acheter des actions améliorerait la loyauté des ouvriers envers la compagnie. Alors que des essais similaires d'implanter politiques sociales de l'intreprise (corporaten welfarism) ont échoués généralement au Canada, Imperial Oil a jouit d'une situation sans syndicat jusqu'à 1946 et sans arrêts du travail jusqu'au début des années 50s. Ce qui l'a rendu unique à cet égard ce sont son empressement et sonaptitude à acheter l'harmonie au travail; et à une époque hostile à la main-d'oeuvre syndiquée, ses travailleurs ont réussi à arracher des concessions monétaires importantes comme prix de leur loyauté. De cette façon, Imperial Oil offre un exemple pertinent des conditions nécessaires sous lesquelles la variante du «capitalisme de l'assistance social» (NdeT) de King a prospéré.

Solving the Labour Problem at Imperial Oil: Welfare Capitalism in the Canadian Petroleum Industry, 1919-1929

H.M. Grant

ON THE TENTH anniversary of its "Industrial Representation Plan," the Imperial Oil Company's *Review* explained that: "The Plan was simply an expression of appreciation on the part of the Directors in connection with the length of service and the loyalty of their employees." It emphasized that its experiment with corporate welfarism "was not the outcome or the result [of] strikes or dissension in any way; fortunately, the Company had never experienced any difficulty in regard to labour."[1] In a similar vein, Reverend Dr. Daniel Strachan, the Presbyterian minister hired as "Assistant to the President on Industrial Relations," protested at the National Industrial Conference of 1919 that the Plan was not designed to usurp unionization: "I am not spending my time, as a serious man, to defeat any organization; I am not putting my life and my service into this work of industrial relations for the purpose of upsetting any plan of any organization. It would be foolish to do that."[2]

These public pronouncements stand in sharp contrast to the private concern expressed by executives of Imperial Oil over growing labour unrest in all of its refineries as World War I drew to a close. When informed of union activity on the west coast, Company President, C.O. Stillman, wrote to Strachan that:

> Our friends [at Standard] should understand that we are constantly struggling against the same problem [of labour unrest] ... it extends from the Ioco Refinery in British Columbia through to Regina, Sarnia and (from information we recently obtained that the labour

[1] *Imperial Oil Review*, 14, 4 (August-September 1930), 16.
[2] Canada, Department of Labour, *National Industrial Conference: Official Report of Proceedings and Discussion* (Ottawa 1919), 163.

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organizations were organizing our men in Montreal), to the Montreal refinery, and, naturally, it will only be a short time when Halifax is in the same position.[3]

Strachan's response stressed the urgent need for action:

I too learned ... that the unions were very active and I felt no time was to be lost in getting those plants organized on a non-union basis. ... If we can get in before the unions have the balance of power we can organize on our own lines and they can simply whistle but if we wait too long, the labour end will have us by the throat.[4]

In 1919, therefore, Imperial Oil joined the ranks of the "progressive minority" of Canadian firms which embraced a "new industrial philosophy." Predicated upon the benevolent treatment of workers as an act of "enlightened self-interest," the logic was consistent: joint labour-management councils would replace industrial conflict with workplace harmony; accident, sickness, death, and pension benefits would reduce absenteeism and turnover; and a share-purchase plan would foster company loyalty and undermine class consciousness. In short, labour's cooperation could be purchased and trade unionism made redundant.

Welfare capitalism is portrayed as an aberration in the history of North American industrial relations. In the United States, it was seized upon in the wake of labour unrest during World War I, but largely repudiated by both managers and workers during the 1920s. According to Brandes, workers never "genuinely embraced" the paternalism of their employers; Montgomery concurs that workers were "not greatly impressed"; and Bernstein contends that welfarism failed because it never addressed shop-floor concerns.[5] Many employers were equally unconvinced. Proponents of scientific management labelled welfare experiments a "sociological joke," and once the pressure of tight labour markets abated, firms abandoned paternalist approaches in favour of traditional methods of close supervision, the drive system, and wage incentives to control worker effort.[6] Despite Brody's argument to the contrary, few company programs survived intact into the 1930s; and the myth of labour as "equal partners" was shattered as firms retrenched in the

[3]J.S. Ewing, *The History of the Imperial Oil Company, Limited* (Boston 1951; unpublished manuscript held in the Imperial Oil Archives), ch. VIII, sect. I, 73.

[4]Cited in Ewing, *History*, 76.

[5]S. Brandes, *American Welfare Capitalism, 1880-1940* (Chicago 1970), 6; D. Montgomery, *The Fall of the House of Labor: The Workplace, the State, and American Labor Activism, 1865-1925* (Cambridge, MA 1987); I. Bernstein, *The Turbulent Years: History of the American Worker, 1933-1941* (Boston 1970).

[6]S. Jacoby, *Employing Bureaucracy: Managers, Union, and the Transformation of Work in American Industry, 1900-1945* (New York 1985), 205. Both Frederick Taylor and Robert Valentine viewed welfarism as a joke (Brandes, *American*, 36; H.M. Gitelman, *Legacy of the Ludlow Massacre: A Chapter in American Industrial Relations* [Philadelphia 1988], 200).

face of declining profits during the Great Depression.[7] If any semblance of life still remained, the death knell was sounded by Section 8a of the Wagner Act (1935), which defined employer support for a company union as an unfair labour practice.

Evidence for Canada is both more fragmentary and more ambiguous. In the aftermath of World War I, Canadian workers were poised to assert greater control over their economic and political lives. Naylor describes the "labour revolt" in Ontario, and Kealey documents how the rank-and-file across the country "defiantly challenged" the Royal Commission on Industrial Relations, and articulated coherent alternatives to industrial capitalism.[8] Corporate welfarism is one of several factors contributing to the decline of unionization in the 1920s and the failure to establish a "new democracy."[9] In simple quantitative terms, company unions were more prevalent in Canada than the United States, covering up to half as many workers as unions did in 1920. This is probably due to the predominance in manufacturing industries of subsidiaries of American corporations — International Harvester, General Motors, General Electric, U.S. Rubber, and Imperial Oil — that parroted the industrial relations initiatives of their parent companies.[10] But large

[7]Brody cautions that: "In failure, welfare capitalism has been too casually dismissed" since, on the eve of the Great Depression, "the essential vitality of welfare capitalism seemed wholly undiminished." D. Brody, "The Rise and Decline of Welfare Capitalism" (1964), reprinted in *Workers in Industrial America: Essays on the 20th Century Struggles* (New York 1980). But his peculiar counterfactual — if the Great Depression had not intervened, would welfare capitalism have persisted into the post-World War II period — is hardly germane. Business cycles are endemic to capitalism, and when the inevitable downturn occurred, the inherent contradictions in paternalistic corporate welfarism were laid bare. There was a brief revival in employer support of company unionism under the auspices of the National Industrial Recovery Act (1933), but these "cynical" initiatives were short lived. Daniel Nelson, "The Company Union Movement, 1900-1937: A Reexamination," *Business History Review*, 56 (1982), 335-57; Jacoby, *Employing Bureaucracy*, 226-7.

[8]J. Naylor, *The New Democracy: Challenging the Social Order in Industrial Ontario, 1914-1925* (Toronto 1991); G.S. Kealey, "1919: Canada's Labour Revolt," *Labour/Le Travail*, 13 (1984), 11-44.

[9]Repressive state measures in the wake of the Winnipeg General Strike, including the application of sedition laws and recourse to the militia, are discussed by D. McGillvrary, "Military Aid to Civilian Power: The Cape Breton Experience in the 1920s," *Acadiensis*, 3 (1974), 45-64; the rise of mass culture undermining the unity of working class experience is emphasized by B. Palmer, *Working-Class Experience: The Rise and Reconstitution of Canadian Labour, 1880-1980* (Toronto 1983), ch. 5; resistance of traditional craft unions to organize the unskilled, and a variety of demographic, industrial and economic circumstances are identified. S.M. Jamieson, *Times of Trouble: Labour Unrest and Industrial Conflict in Canada, 1900-1966* (Ottawa 1976).

[10]M.E. McCallum, "Corporate Welfarism in Canada, 1919-39," *Canadian Historical Review*, 71 (1990), 46-79; B. Scott, "A Place in the Sun: The Industrial Council at Massey-Harris, 1919-1929," *Labour/Le Travailleur*, 1 (1976), 158-92.

Canadian-owned firms also adopted employee-representation plans and comprehensive welfare programs, albeit with mixed results. The industrial council at Massey-Harris, for instance, had little influence over wages and employment during buoyant economic times; completely broke down when production declined; and otherwise "limped along" until the plant was unionization in 1943.[11] In the steel industry, Heron notes that company unions and welfare schemes failed to address the shop-floor experience of workers and thus made little inroads in the face of demands for union recognition. Even the heralded employee-representation plan and profit-sharing scheme at Dofasco fits uncomfortably into the general pattern in that it was not introduced until 1936.[12]

This mixed evidence raises the question of why some firms adopted a paternalist approach to securing labour's cooperation at a time when others relied upon greater coercion; and why some workers apparently deferred to paternalist treatment when others rejected it. Zahavi argues that historians have drawn a false dichotomy — between acceptance and repudiation — in workers' response to corporate welfarism. His emphasis on "negotiated loyalty" underscores that the paternalism that provided ideological reinforcement for corporate welfarism was restricted in scope.[13] Managers and workers recognized their respective rights and obligations, but exercised them within strict limits defined by the unequal nature of the capital-labour relationship. Managers never hid their objectives of control over the labour process and worker subordination, and the threat of dismissal remained paramount; and workers remained cognizant of their economic power to disrupt production either through work stoppages or more informal resistance. The manager-worker relationship, therefore, was the subject of continual negotiation, with workers exerting their power to extract wage concessions and improvements in working conditions as the price of their loyalty. Welfare capitalism thus assumed a "bifurcated identity": firms with the "wherewithal to pay" espoused an image of employer benevolence and workplace harmony, while workers transformed the rhetoric of corporate welfarism to serve their own ends.[14]

This paper examines the interaction between managers and workers with the introduction of corporate welfarism at the Imperial Oil Company, Limited between 1919 and 1929. More specifically, it focuses on how the Company articulated its industrial relations policy for public consumption and examines more limited

[11] Scott, "A Place in the Sun," 160.
[12] C. Heron, *Working in Steel: The Early Years in Canada, 1883-1935* (Toronto 1988), 99-107; R. Storey, "Unionization versus Corporate Welfare: The 'Dofasco Way," *Labour/Le Travailleur*, 12 (1983), 7-42. The introduction of company unionism at Dofasco in 1936 is attributed to cyclical upturn in the industry and the unionizing drive of the Steel Workers Organizing Committee.
[13] G. Zahavi, *Workers, Managers and Welfare Capitalism: The Shoeworkers and Tanners of Endicott Johnson, 1890-1950* (Urbana, IL 1988).
[14] Zahavi, *Workers*, 54.

evidence on how workers responded. Despite this limitation, Imperial Oil's strategy represents an interesting case study for two reasons. Foremost is that it was a distinct success. In 1930, the Company boasted that: "We have never had a lockout, never had a strike."[15] Unionization was forestalled until 1946, and the non-union status of the majority of its refineries today is, in part, a testament to its ability to usurp legitimate worker organizations. Second, patterned after the renowned "Rockefeller Plan" or "Colorado Plan" — designed by Mackenzie King for his benefactor in the aftermath of the Ludlow Massacre of 1914 — it permits an examination of the application of King's approach to industrial relations. Imperial Oil thus provides fertile ground for examining the conditions that permitted King's brand of corporate welfarism to flourish.

Imperial Oil and Petroleum Refining in Canada, 1898-1929

At the outset of the 20th century, the petroleum refining industry in Canada was a textbook example of perfect monopoly. J.D. Rockefeller Sr.'s Standard Oil Trust purchased controlling interest in the Canadian-owned Imperial Oil Company, Ltd. in 1898 and centralized production at Sarnia, Ontario. Imperial Oil was the sole refiner of petroleum products in the country and, combined with imports from its American affiliates, supplied virtually the entire Canadian market. Sales approximated $2 million, with illuminating oil, for use in kerosene lamps, accounting for roughly two-thirds of the total.

Rapid growth in demand presented Imperial Oil with an opportunity to extend its market power. Between 1909 and 1920, the consumption of petroleum products grew dramatically — from $5 to over $83 million — or a remarkable rate of growth exceeding 25 per cent per annum. The popularity of the automobile pushed gasoline sales to over one-half of total sales, while the increasing use of fuel oil in transportation and industry provided an outlet for heavier by-products of distillation.[16] Imperial Oil, however, was slow to respond to these opportunities. Despite predatory actions to restrict competition, a "competitive fringe" of domestic refiners emerged, including the Canadian Oil Company (Petrolia, 1901) and British American Oil Company (Toronto, 1908).[17] But of greater concern to Imperial Oil

[15]Canada, House of Commons Standing Committee on Banking and Commerce, *Minutes of Proceedings and Evidence: The Price of Gasoline*, (Ottawa 1932), testimony of Victor Ross, 9.

[16]H. Grant, "The Petroleum Industry and Canadian Economic Development: An Economic History, 1900-1960," PhD thesis, University of Toronto, 1987, ch. 4.

[17]Canadian Oil Companies Limited, "Black Gold Victory: The Story of Canadian Oil Companies, Limited, 1908-1958," *Canadian Oil News* 19, 4 (1958); J.T. Saywell, "The Early History of Canadian Oil Companies: A Chapter in Canadian Business History," *Ontario History* 53 (1961), 67-72. The Standard Trust sought to restrict sales to independent jobbers in Canada and to secure discriminatory freight rates secured on railway shipments from Pennsylvania and Ohio to Canada, and from Sarnia to Montréal (National Archives of

was the rise in imports to claim 70 per cent of the domestic market as international firms — Shell Oil and Union Oil — extended marketing operations into Canada.[18] Accordingly, the share of the market supplied by Imperial Oil's refinery fell sharply: on the eve of World War I, it accounted for only 20 per cent of domestic consumption (see Table 1).

It was not until World War I that the Company undertook a substantial expansion program. When the U.S. Supreme Court forced the dissolution of the Standard Oil Trust in 1911, control over Imperial Oil passed to the Standard Oil Company (New Jersey) and expansion followed.[19] Sarnia's capacity was augmented in 1914, and new refineries were built at "Ioco," adjacent to Burnaby, British Columbia (1915), Regina (1916), Montréal (1917), and "Imperoyal" on the Dartmouth/Halifax harbour (1918). This expansion was fostered by the unique relationship the Company enjoyed with the Canadian and American governments during wartime mobilization. The U.S. Petroleum Advisory Committee, created as a private sector advisory board, was given a "free hand" in the organization and allocation of production and distribution among competing firms. Headed by A.C. Bedford, President of Jersey Standard, it operated out of Jersey Standard's New York office. Control extended to Canada where, with the assistance of Imperial Oil's President, W.C. Teagle, efforts were undertaken to meet the needs of allied shipping for fuel oil. Imperial sought to exploit this special arrangement; for as Teagle wrote to Bedford: "We want to be patriotic, but, at the same time, is it not misguided patriotism to overlook extremely sound business practice?"[20]

Canada (hereafter NAC), Canadian Transport Commission, RG 46, Series B.I.1, Minutes and Proceedings of the Railway Committee of Privy Council, vols. 718, 719, 781; United States Industrial Commission, Hearings, *Standard Oil Combinations* (Washington 1899), 378; United States Commissioner of Corporations, *Transportation of Petroleum* (Washington 1906), 129.

[18]Shell Oil of Canada, incorporated in 1911, constructed an ocean terminal in Montréal to dispose of excess bunker fuel of its Indian Oil affiliate; and its American affiliate was selling gasoline supplied by its Asiatic Petroleum affiliate on Canada's west coast by 1912. K. Beaton, *Enterprise in Oil: A History of Shell in the United States* (New York 1957), ch. 2. Union Oil Company of California began marketing fuel oil in British Columbia in 1904, and secured the large CPR contract. Ewing, *History*, ch.IX, sect. C.

[19]This followed an extensive reorganization of Imperial Oil that shifted a greater degree of control from New York to Toronto. See G.D. Taylor, "From Branch Operation to Integrated Subsidiary: The Reorganization of Imperial Oil under Walter Teagle, 1911-1917," *Business History*, 34 (1992), 49-68.

[20]Ewing, *History*, ch. XVII, 3; H.F. Williamson, *et al.*, *The American Petroleum Industry: The Age of Energy, 1899-1959* (Evanston, IL 1963), 269-72.

Table 1
Share of Market Supplied by Imperial Oil's Refineries, 1900-1929

Year	Other Domestic[a] Refineries	Imports[b]	Imperial Oil's Refinery Share
1900	0	34	66
1905	10	34	54
1910	10	56	34
1915	12	40	48
1920	6	32	62
1925	7	28	65
1929	10	23	67

a. Percentage of market supplied by domestic refineries not controlled by Imperial Oil.
b. Value of imported petroleum products as a percentage of total Canadian consumption. This includes imports by Imperial Oil and its American affiliates.
Source: H. Grant, "Petroleum Industry," ch. 3.

Imperial Oil also enjoyed access to cheaper crude oil, including exclusive ownership of concessions in Peru, Mexico, and Colombia. Its Peruvian properties were held by the International Petroleum Company (IPC), organized as a majority-owned affiliate of Imperial Oil to avoid potential anti-trust legislation in the United States. Low wages and unitized production made oil from Mexico and Peru less expensive relative to Texas, and less costly to refine than heavy California crudes. Jersey Standard's desire to find an outlet for its Latin American and mid-Continent crude oil output favoured Imperial Oil's refinery expansion. Ioco was supplied from Peru; Montréal and Halifax operated on Mexican crude from Jersey Standard's producing affiliate until IPC purchased monopoly concessions in Colombia in 1920; Sarnia was supplied by mid-Continent producing affiliates; and discovery of crude oil in Wyoming, where Jersey Standard's Carter Oil Company controlled the majority of the field's output, encouraged the construction of refining capacity in the prairies.[21]

Imperial Oil's growth, however, rested primarily upon its hegemony over new refining technology in Canada. Prior to World War I, petroleum refining remained essentially a "batch" operation: crude oil was pumped from underground storage tanks into one of a battery of stills mounted upon a brick "setting" and "fired" from tubular boilers. The crude still, a steel cylinder roughly 14 by 40 feet, had a domed top with a vapour pipe attached to condenser coils leading to a condenser box:

[21]On IPC's activities in Latin America, see G.S. Gibb and E.H. Knowlton, *History of the Standard Oil Company (New Jersey), Volume 2: The Resurgent Years 1911-1927* (New York 1956), chs. 4, 13; and H. O'Connor, *World Oil in Crisis* (London 1962), chs. 9, 17, 18. Development of Colombia's oil resources is discussed by J.F. Rippy, *The Capitalists and Colombia* (New York 1931), ch. 7.

Temperature was gradually increased until the various fractions of the crude oil were distilled and condensed, and sent to the appropriate finishing still for further treatment. The lightest fractions — naphtha, kerosene or "refined oil" and "engine distillate" — were drawn off first, followed by lubricating oils and paraffine waxes, gas oil, and fuel oil (or the liquid residuals), leaving a coke-like residue on the still bottom. After "charging" the main still with crude oil and distilling the various fractions of petroleum, the still was cooled, cleaned and the entire process repeated. The typical refinery had numerous finishing stills, agitators and storage tanks for the various grades of refined oil. Other facilities included a barrel-filling house, "canning and casing" and "mixing and compound" departments, warehousing and railway loading docks.[22]

Growing gasoline demand focused research upon increasing the yield of lighter fractions of crude oil in the distillation process. The first significant innovation was Indiana Standard's Burton-Humphrey process for "cracking" heavier hydrocarbons — particular "gas oils" — under high pressure and high temperature in order to increase the output of gasoline per barrel of crude. Licensing rights were restricted to former members of the Standard Trust, and Imperial Oil obtained a license in 1914. Thermal cracking units were eventually installed in all of its refineries and, estimated to reduced the cost of producing gasoline by 38 per cent, ceded Imperial a substantial advantage over existing and potential competitors in Canada.[23] More dramatic changes were on the horizon. Continuous processing evolved to overcome higher fuel costs, down time and the strain on equipment from constantly cooling, cleaning and recharging batch-type equipment. Crude or gas oil charging stock was pumped through cracking "coils" in order to raise it to the appropriate pressure and temperature before being discharged into the main still for cracking, and then to secondary distillation units.[24] Standard's "Tube and Tank" method, developed in 1923, was immediately leased to Imperial Oil and the first continuous cracking units in Canada were installed at its new Calgary refinery in 1924, and cracking capacity units was introduced in all of its other refineries by 1927. Development of continuous-cracking technology by competing American refiners led to conflicting patent claims and the subsequent formation of the "Patent Club" that restricted the diffusion of this technology to smaller firms until the "Dubbs" process became widely available in the 1930s.[25] Imperial Oil's approach to research and develop-

[22]A detailed description of Imperial Oil's Ioco refinery and the distillation process is provided in the *Imperial Oil Review*, 3, 5 (May 1919), 7-8; 3, 8 (August 1919), 3-5; 4, 10 (November 1920), 7.

[23]G.A. Purdy, *Petroleum: Prehistoric to Petrochemical* (Toronto 1958), 153-5; Williamson, *American Petroleum Industry*, 147, 269-72; Gibb and Knowlton, *History*, 118. Imperial Oil paid $15,000 for the first 50,000 barrels/year of crude refined and 30 cents for each subsequent barrel of crude.

[24]Purdy, *Petroleum*, 43-5, 157-60.

[25]Williamson, *American Petroleum Industry*, 375-95.

ment changed accordingly. Rising compression ratios in automobile engines required gasoline with a higher octane rating, and altered the character of the "Test House" in Imperial Oil's refineries. From routine adaptation of existing procedures, its first full-time research chemist was hired in 1924 and a research department was established at Sarnia in 1928. According to Purdy, "the 1920s and early 1930s were the golden years of petroleum engineering because almost every process could be improved by the application of engineering principle."[26]

Imperial Oil thus enjoyed both a quantitative and qualitative superiority in the Canadian petroleum refining industry. From a one plant operation with a capacity of 4,000 barrels per day (bd) in 1911, it grew to become a nationwide company with five refineries boasting a total capacity in excess of 30,000 bd by 1920. Its share of domestic refining capacity rose to over 90 per cent and imports dropped to less than one-fourth of total Canadian sales, such that the Company's refineries were supplying over two-thirds of the Canadian market. During the 1920s, Imperial Oil again doubled its refinery capacity and, despite the entry of a handful of Canadian competitors, continued to supply over two-thirds of the Canadian market.[27] Nor did this expansion go unrewarded: between 1914 and 1920 it amassed $52 million in earnings (contributing over 10 per cent of Jersey Standard's global refining and marketing earnings), and during the 1920s its net income rose to over $120 million.[28]

[26]Purdy, *Petroleum*, 44; J.L. Hoggett, "The Transformation of the Test House," *Imperial Oil Review*, 15, 3 (December 1931), 5-8 and 15, 4 (January/February 1932), 13-5. Incidental to the evolution of cracking technology was the discovery that "cracked" gasoline had superior anti-knocking properties. From 1926 to 1929, Imperial had a semi-exclusive right to the use of tetraethyl lead in Canada as an additive to increase the octane rating of straight-run gasoline. Concerns over health and safety and the high cost of tetraethyl lead, however, contributed to a rather slow rate of adoption of leaded gasoline in Canada. Ewing, *History*, ch. IX, sect. B. Health concerns over the use of tetraethyl lead stemmed from the death from lead poisoning of several employees at Standard Oil's plant in Elizabeth, New Jersey. M. Ross, "The Standard Oil's Death Factory," in R. Engel, ed., *America's Energy: Reports from The Nation on 100 Years of Struggles for the Democratic Control of Our Resources* (New York 1980), 167-70.

[27]A handful of competitors built refineries in the 1920s. McColl Brothers (a long-time Toronto marketer) erected a refinery in 1926, and then amalgamated with Frontenac Oil Company (the successor to National Oil Refineries, Ltd. of Montréal) in 1929; Union Oil operated a small topping plant at Port Moody, British Columbia between 1921 and 1926, until a production agreement with Imperial Oil was reached; North Star Oil and Refining Company constructed a tiny topping plant in Winnipeg in 1921 (Imperial Oil acquired a majority interest in North Star and concealed its ownership); and a number of small "scrubbing plants" in the Turner Valley gas field separated the sulphur from the crude naphtha at the well head prior to selling the highly-volatile output to local farmers. Grant, "Petroleum Industry," ch. 5.

[28]Gibb and Knowlton, *History*, Tables 10, 17, 20, and 21.

Worker Militancy and the Production Process

Having restored its dominance over the Canadian petroleum market during World War I, another challenge remained to Imperial Oil's monopoly position: labour unrest. In the parlance of economists, petroleum refining underwent both "capital widening" and "capital deepening," or a more extensive and intensive use of capital. The net value of Imperial Oil's capital stock engaged in refining and marketing rose from $2.9 million (1911) to $44.8 million (1920), and to $74.4 million by 1929. A more intensive use of capital can be inferred from a steady increase in output per worker. Between 1900 and 1920, the workforce in refineries increased ten-fold, the volume of crude "run" per worker remained fairly constant, but output per worker rose from $5,500 to $14,500. During the 1920s, crude throughput per worker more than doubled, and the value of annual output per worker rose to $22,300 (see Table 2). Technological change in refining thus had a potentially contradictory effect upon Imperial Oil: intensification of work promised greater profits, but also left it more vulnerable to work stoppages. With more capital stock engaged at every stage of a vertically-integrated operation, a strike threatened to shut-down the Company's entire operations and leave expensive machinery and equipment lying idle. The major threat to Imperial Oil's profitability, then, was not competition from other capitalists, but from labour.

Table 2
Output per Worker, Canadian Petroleum Refineries, 1900-1929

Year	Wage Earner	Crude Run (m. gal.)	Output ($m)	Crude/Worker (1,000 gal.)	Output/Worker ($1,000)
1900	345	23.4	1.9	67.8	5.5
1905	469	35.8	2.2	76.3	4.7
1910	457	40.3	2.8	88.1	6.1
1915	1,050	111.0	8.9	105.7	8.5
1920	3,889	302.4	57.3	77.8	14.7
1925	3,230	445.1	49.8	137.8	15.4
1929	4,420	1,072.8	98.4	242.7	22.3

Source: H. Grant, "Petroleum Industry," ch. 5.

Little is written about the labour process in early North American petroleum refineries,[29] but much can be inferred from the nature of the technology used.

[29]The exception is H.G. Gutman, "The Labor Policies of the Large Corporation in the Gilded Age: The Case of the Standard Oil Company," in *Power and Culture* (New York 1987). He examines the erosion of the economic position of skilled coopers in the barrelling departments of refineries, and how Standard Oil crushed the coopers' union in the 1870s.

Chandler observes that firms processing liquids were the first to achieve high rates of output due to the relative ease in organizing a steady flow of raw materials into finished products. In the petroleum industry, this was accomplished through a more intensive use of heat: new stills with seamless wrought-iron and steel bottoms permitted the application of higher temperatures in order to obtain a larger fraction of refined products by "cracking" residual oils. Plant designs better synchronized the movement of materials within the refinery, as the use of steam pumps provided more effective coordination of activities.[30] "Economies of speed" were critical to a successful operation and were reflected in the organization of the work force. Men were employed in a variety of occupations: "stillmen" oversaw the distillation process; pipefitters and machinists maintained and repaired equipment; "pumpers" attended to the operation of engines; "firemen" fed the boilers; "gaugers" measured the flow of oil into various stills and storage tanks; "still cleaners" removed the coke residue on still bottoms; and labourers were employed in a number of capacities, including the packaging and shipping of end products.[31] Employment of women was restricted to clerical positions, to the "delicate art of packing candles" in the paraffine works, and in the chemical testing laboratories, where "it has been found that girls possess the qualities [required by the work] even in a greater degree than the men."[32]

The trend towards a "homogenization" of labour in factory production and continuous processes relied upon the "technical control" of semi-skilled workers. The "drive system," where the pace of work was regulated by machinery, placed greater pressure on foremen to maintain the intensity of work effort.[33] The harsh nature of working conditions was most apparent in the treatment of still-cleaners, required to enter the still through a man-hole in the end or top, and shovel out the coke-like residue. Economies of speed and fuel, and the cost of repeatedly cooling, cleaning and reheating the still, dictated that workers were sent into the still at temperatures between 135°F and 200°F and, not surprisingly, were frequently overcome by the heat and gases.[34] Working conditions of this nature were responsible for the bloody strike in 1915 at Jersey Standard's refinery in Bayonne, New Jersey, where five strikers were killed. The Bayonne strike underscored the hazards of leaving employment, transfer, discipline and discharge decisions to shop-floor managers. As the strikers complained: "We request humane treatment at the hands

[30] A.D. Chandler, *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, MA 1977), 240, 241, 255-56.

[31] D. Horowitz, *Labor Relations in the Petroleum Industry* (New York 1957), ch. 1.

[32] *Imperial Oil Review*, 2, 2 (February 1918); 7, 5 (June 1923), 21-2.

[33] D. Gordon, R. Edwards, and M.R. Reich, *Segmented Work, Divided Workers: The Historical Transformation of Labor in the United States* (Cambridge MA 1982), 100; R. Edwards, *Contested Terrain: The Transformation of the Workplace in the Twentieth Century* (New York 1979).

[34] Gibb and Knowlton, *History*, 137-42.

of the foremen and supervisors in place of the brutal kicking and punching we now receive without provocation."[35] As the scale of operations increased, management complained of the loss of the "human touch" and the need to overcome growing worker animosity.

Sensitive to the criticisms of the U.S. Commission on Industrial Relations, Jersey Standard instituted a reduction in the work week and a wage increase. Imperial Oil, however, sought to resist the adoption of an 8-hour day — despite the fact that British American had done so in its Toronto refinery in 1913 — arguing that it would be too disruptive for the entire Sarnia labour force. Nor were wages to be increased. Following the Bayonne strike, Teagle, now President of Jersey Standard, wrote to C.O. Stillman, Imperial Oil's new President: "I think in view of the number of idle men in Canada, there is no necessity of any increase in wages, that a man who had a steady employment was fortunate." He based this conclusion partly upon casual observation:

> When we were in Vancouver in April last there was a bread-line of considerable length. Under these circumstances, it would seem to me that there is no necessity of making any changes whatsoever in the scale of wages at Ioco.[36]

Thus for "process" workers, who constituted roughly one-half of Imperial Oil's workforce, an 84-hour work week — composed of six 12-hour days and a 24-hour Sunday shift every other week — remained the norm.[37]

This intransigence left Imperial Oil vulnerable to a growing threat of unionization as the labour market tightened during World War I. In December 1915, boilermakers at its Montréal refinery walked out during its construction, forcing the Company to institute a pay increase.[38] Evidence presented at the Royal Commission on Industrial Relations (Mathers Commission) confirmed the trend towards unionization. Imperial Oil's pipefitters, machinists, boilermakers, and masons at Sarnia belonged to their respective craft unions, and in January 1919 the Sarnia trades federation undertook a unionization drive in the refinery. Of the 1,600-member workforce, estimates of union membership ranged from 50 to 75 per cent.[39] Four months later, workers at the Regina refinery formed the short-lived Local 62 of the Oil Workers International Union.[40] But Imperial Oil faced its

[35]Cited in S. Chase, *A Generation of Industrial Peace* (New York 1946).

[36]Ewing, *History*, ch. VIII, sect. I, 69.

[37]US, Department of Labor, Bureau of Labor Statistics, *Wages and Hours of Labor in the Petroleum Industry, 1920* (Washington 1922).

[38]Ewing, *History*, ch. VIII, sect. I, 72.

[39]Canada, Royal Commission on Industrial Relations (hereafter RCIR), *Evidence*, testimony of William Campbell, boilermaker (19 May 1919), 2022. Imperial Oil refused to recognize the union federation, allegedly firing one union member who was only rehired on threat of a refinery-wide strike.

[40]H. O'Connor, *History of the Oil Workers International Union-CIO* (Denver 1950).

greatest challenge at Ioco. On 15 February 1918, workers in the barrelling, casing, and shipping departments went on strike in support of wage demands. They were soon followed by "process" workers — boilermakers, stillmen and pumpers — seeking a reduction in their 84-hour work week. After a twelve-day work stoppage by the 170-member labour force, workers gained a fourteen per cent wage increase for labourers and prevailing union rates in Vancouver for skilled workers. Process workers secured the modest concession of 24 hours off every seven, instead of thirteen, days. The strike's success encouraged Ioco's workers to form the short-lived Oil Refinery Workers Union, subsequently chartered as Local 4 of the AFL's newly-formed International Association of Oil Field, Gas Well and Refinery Workers of America.[41] But none of these union locals was recognized by the Company.

A capital-intensive form of production based upon continuous processing, coupled with growing discontent among its workers, equalled a potential threat to Imperial Oil's highly-profitable operations. As World War I drew to a close, the Company recognized that "there must be freedom from interruption of operations."[42]

Corporate Welfarism: The Company Way

Jersey Standard was prominent among American companies in the adoption of a more systematic approach to industrial relations during World War I, and Imperial Oil, its majority-owned affiliate, played a similar role in Canada. In January 1919, Imperial Oil embarked on a wide-ranging "Industrial Relations Plan" to win the loyalty of workers. Its approach was threefold: a) the establishment of employee-manager "joint councils" to give workers an outlet to voice shop-floor discontent; b) an array of welfare programs to increase the Company's influence over workers' lives both inside and outside of the workplace; and c) a share-purchase plan to vest workers with a sense of ownership in the Company. Equally important was the *Imperial Oil Review*, which maintained an unrelenting propaganda assault on its employee-readers. Its rhetoric combined an explicit recognition of existing class antagonisms with the declaration that capital and labour must work together to replace the "old spirit of suspicion and bitterness in Industry." The basis for cooperation was explained in the following terms:

> [The worker] has the right to ask for a square deal, a little time to rest, a little time to work, a little time to meet the obligations of citizenship. But on the other hand, it will not do to look upon capital as only greedy, and corporations as supremely soulless.[43]

[41]NAC, Department of Labour, RG 27, v. 308, strike 97.
[42]NAC, Tariff Board, RG 79, vol. 169, file 84, pt. 7, testimony of H.C.F. Mockridge, 1778.
[43]*Imperial Oil Review*, 8, 2 (February 1924), 5. Early issues were replete with pithy slogans such as: "The man who habitually complains much will always find much to complain about."

The centrepiece of Imperial Oil's approach was the joint council, introduced at the Sarnia refinery in January 1919, in Halifax two months later, and eventually throughout all of its refinery and larger marketing departments. With an equal number of employee-elected and management-appointed delegates, and chaired by the refinery supervisor, industrial councils met monthly to offer suggestions to senior management on wages, hours of work, housing, and working conditions. This satisfied the Company's definition of collective bargaining: a forum for settling inevitable problems that arise in the day-to-day operation of a large, complex industrial enterprise. Placing senior management in direct contact with workers would allow the Company to regain the "human touch."[44]

This was complemented by the formation of Employment Departments in each major branch of operation to systematize hiring and firing, oversee all personnel affairs, and offer "friendly counsel in personal matters."[45] Jacoby points out that personnel departments of this nature were couched in the ethos of "professional neutrality": they were to function as both union and management in giving an impartial hearing over shop floor disputes.[46] This included a non-discrimination clause in hiring on the basis of union membership, expected to win employee confidence without interfering with the maintenance of an open shop.[47] Defining clear and consistent work rules was intended to counter the arbitrary authority exercised by foreman and supervisors; for instance, in the Sarnia refinery 75 different pay rates existed among the 175 boilermakers.[48] The effort to mediate the worker-foreman relationship and provide a sense of "fairness" was reinforced by having Strachan oversee industrial relations matters and report directly to the President.

Hastily instituted to counter union activities in the plant, however, the employee-representation plan got off to a rocky start in Sarnia. Workers complained that they were "ignorant" about the joint council, with elections "sprung kind of

[44]Testimony of D. Strachan, *National Industrial Conference*, 150-2.
[45]Imperial Oil's employment practices were far from enlightened. When Teagle recruited chemists from Cornell's graduating class in 1916, he specified that no applications from "Hebrews" would be entertained. Ewing, *History*, ch. VIII, Appendix 1, 86n. And as late as 1950, African-Canadians were only employed as uniformed porters at the head office building. Ewing, *History*, ch. XIX, sect. B, 20n. In 1936, L.C. McCloskey, Vice-President, described his pride in Imperial Oil's policy of paying high wages in Latin America, in the following terms: "I do not want to be like the cartoon I saw a short time ago of a nigger that went to a nigger church and his eyes were popping out and the preacher said to him 'Brother, you are not confessing, you are bragging'." NAC, Tariff Board, RG 79, volume 69, file 84, pt.7, Ottawa hearings, 2305.
[46]Jacoby, *Employing Bureaucracy*, 159.
[47]Mackenzie King had insisted upon the inclusion of such a clause in the "Colorado Plan" and was adamant that it would not encourage unionization. Gitelman, *Legacy*, 246.
[48]RCIR, *Evidence*, 2036.

sudden."[49] The Employees Federation — a coalition of trade unions active in the plant — seized the opportunity to elect an active union member to the joint council, who promptly placed the union's salary demands on the table for discussion at the first meeting. He was subsequently dismissed and only reinstated following the threat of a walkout.[50] In contrast to the laudatory testimonials published in the *Review*, evidence given at the Mathers Commission revealed its ambivalent reception by workers at Sarnia. Harry Steel, President of the local Trades Council, stated that "the other side of the table does all the talking" and that 300 men had joined unions since the Plan's introduction. At a meeting convened by the Employees Federation, the 400 to 500 employees of the Sarnia refinery voted to press their wage demands through the union rather than the industrial council.[51] According to Bert Bazeley, Air-Brakeman, men had little faith in the welfare committee and preferred unionization: "They seem to think it is scheme to break unions."[52]

In order to buy goodwill, therefore, Imperial Oil instituted an eight-hour day, six-day work week and a pay increase across the country. Stillman conceded that "I believe, as we all agree, that the best way to handle the present disturbed labour position is to anticipate a raise to our employees before a flat demand is made on us."[53] And while workers in Sarnia interpreted the raise as an attempt to preempt union demands,[54] it initiated the pattern of high wages that saw workers in petroleum refineries earning over 40 per cent more than the average manufacturing wage.[55]

Imperial Oil's preoccupation with maintaining an open shop heightened with the Winnipeg General Strike. Stillman sought to reassure readers of the New York *Sun* that the cause of the strike was limited to "a handful of extremists, largely of foreign birth" seeking to establish a "new despotism."[56] The Company drew solace when Imperial's Vancouver marketing division "weathered the strike storm" of sympathy walkouts. Its unionized employees — including teamsters, chauffeurs and tank-car drivers — had, "with one exception," refused to join the walkout "standing staunch in defence of a Company that has treated them as fellow-men and partaken a personal interest in their welfare." The *Review* mentioned in parenthesis, that Company vehicles were given police escorts, its bulk plant was accorded police protection and "at the same time the volunteers, which we had to fill in vacancies that might take place on account of the union men leaving, were

[49]RCIR, *Evidence*, 2089.
[50]RCIR, *Evidence*, 2000, 2002, 2099.
[51]RCIR, *Evidence*, 1997, 1999.
[52]RCIR, *Evidence*, 2072.
[53]Stillman, cited in Ewing, *History*, ch. VIII, Sect. I, 73.
[54]RCIR, *Evidence*, testimony of William Campbell, 2020.
[55]In 1939, the average weekly wage of workers in the Petroleum and Coal Products Industry was $35.31, compared to $22.79 in all manufacturing industries. F.H. Leary, ed., *Historical Statistics of Canada* (Ottawa 1983), E90, E110.
[56]Reprinted in the *Imperial Oil Review*, 3, 7 (July 1919), 7-8.

far more than there was any possibility of our requiring."[57] Nonetheless, the Company declared that its reputation as "one large happy family" remained intact and attributed this to its employee-representation plan.

The authority of industrial councils, however, was strictly confined by the terms of the accompanying "Joint Agreement" (issued by the Company and "approved" by joint councils) that detailed management's rights.[58] The offences leading to immediate dismissal or suspension — including violation of safety laws, insubordination, profanity, absenteeism, sleeping on duty, possession of liquor, or habitual use of drugs — were enumerated and, more significantly, wages were decided unilaterally by the Toronto head office. Joint councils' role was restricted to ensuring that foreman interpreted Company norms and rules in a fair and consistent manner. But even in this respect, there were obvious shortcomings. While workers were given the power to grieve disciplinary action meted out by foremen and line supervisors, they were obliged to first take up their complaint with the foreman before carrying it to the joint council. And no company was likely to consistently overturn a line manager's decision at the risk of ceding too much shop-floor authority.

As Imperial Oil's approach evolved, the relationship between paternalism and profit became more clearly articulated. Early expressions of welfare capitalism, according to Brody, "lacked any functional relationship to industrial operations";[59] instead, they were embraced by firms with a rather vague sense of the relationship between employer benevolence and industrial efficiency. Imperial Oil acknowledged that in inaugurating its Industrial Representation Plan it was "just feeling its way" in the attempt to "create a community of interest and feeling between labour and capital" and that it offered no "panacea for industrial ills."[60] Such a program was unlikely to be successful, either from the point of view of the employer or employee, without more tangible benefits: it needed to address the real concerns of workers to win their support, as well as yield greater productivity to justify the cost for the employer. As Strachan emphasized: "it is not philanthropy and it is not benevolence; it is a cold-blooded business proposition."[61]

To this end, the employee-representation plan was accompanied by a package of welfare benefits. Life insurance was purchased for all employees with more than twelve months of continuous service, to a maximum of $2,000.[62] Sickness/disabil-

[57] *Imperial Oil Review*, 3, 8 (August 1919), 14.

[58] "The Joint Agreement," *Imperial Oil Review*, 14, 4 (August-September 1930), 66.

[59] Brody, "Rise and Decline," 52.

[60] *Imperial Oil Review*, 14, 4 (August-September 1930), 62.

[61] RCIR, *Evidence*, 2794.

[62] This was augmented in 1930 with a Group Insurance plan, and additional benefits could be purchased by employees at a low cost. *Imperial Oil Review*, 14, 4 (August-September 1930), 62-6. McCallum in "Corporate Welfarism," 50, notes that company-sponsored insurance plans were encouraged by their treatment as a business expense, and by the push of the insurance industry for new markets.

ity benefits were established equal to one-half of an employee's pay for a period ranging from 6 to 52 weeks, depending upon years of service. And retirement benefits were paid in the form of an annuity equal to two per cent of the employee's average annual earnings during the last ten years of service, multiplied by the years of service. The paternalist nature of these concessions is evident in the fact that they were non-contributory and compulsory for all employees, while the payment of benefits remained at the discretion of the Company.[63] In each case, however, the rhetoric of Company largesse was accompanied by two "riders": the firm's demand for reciprocity, and the continual reminder that non-compliance could be remedied through dismissal.

In return for providing accident, sickness, and life insurance benefits, management expected to greater productivity through lower absenteeism, a "contraction in the cost of replacement," and reduced time lost due to accidents. According to Strachan, "We expect through this insurance and through sickness benefits, etc., that we are profited by it at the end of the year."[64] Imperial Oil acknowledged that industrial accidents were "a production problem due to the development and speeding up of industry and transportation and rules, like the manufacturing processes, become more complicated"; nonetheless, workers were chastised for failing to act "sensibly" and costing the Company "large losses in time and money."[65] The *Review* regularly published a "meat chart" displaying the distribution of injuries by body parts: eye injuries were blamed on workers not wearing their goggles; and hand, foot and leg injuries to a lack of employee "foresight." Claiming that 75 to 90 per cent of industrial accidents were due to worker carelessness, "it is surely not too much to ask that all employees ... insure that our casualty records are considerably reduced." This was reinforced with the reminder that "a pay envelope is much fatter than a compensation check" and the threat that "a careless man and his job are soon parted."[66] To remove any ambiguity, it was reiterated that: "For the protection of the safe workers and good name of the plant, the troublemaker should be requested to call at the paymaster's office on the way out and reminded that the plant gate is a one-way thoroughfare for him."[67]

The same dynamic between employer benevolence, reciprocal rights and obligations, and the threat of dismissal pervaded the pension plan. The Company reported that the plan recognized that "some enduring obligation exists to the employee who has given long and faithful service to the Company."[68] But it also served two other objectives for the firm. The retirement plan compelled workers to retire at the age of sixty-five, and thus addressed the problem of terminating older

[63]Ewing, *History*, ch. XI, Sect. C.
[54]RCIR, *Evidence*, 2777, 2794.
[65]*Imperial Oil Review*, 2, 11 (April 1927), 11.
[66]*Imperial Oil Review*, 7, 6 (July 1923), 14.
[67]*Imperial Oil Review*, 9, 7 (July 1925), 7.
[68]*Imperial Oil Review*, 14, 4 (August-September 1930), 17.

workers in a manner that did not undermine worker morale. More significantly, pension benefits were a form of deferred wages with eligibility based upon twenty years or more of "continuous active service," free of layoff, discharge, or suspension. As a prize for loyalty, reductions in the rate of labour turnover were anticipated. "There is no room in our organization for weaklings and failures," declared the *Review*, and in excess of 10 per cent of Imperial's permanent workforce experienced "termination" each year.[69] Placing the efficiency loss at $100,000 to $500,000 per year, it hoped that more rigorous screening of potential employees, coupled with long-term incentives, would result in greater workforce stability. And when the number of terminations declined in 1919, it was interpreted as "a testimonial to our Annuities and Benefits Plan and to the Industrial Representation Plan."[70]

Enhanced benefits were also initially greeted by workers with scepticism. Thomas Noble, an elected delegate to the Sarnia industrial council, acknowledged that "it is a good scheme in the right direction," but preferred unionization. "The majority of men," he stated, "seem to appreciate it for the simple reason that if they are sick they get benefits."[71] Similarly, Fred Stuchberry, also an employee delegate on Sarnia's industrial council, complained that he "only gets abuse for his efforts" from fellow workers: "the majority say they have to die before they get anything." Nor did they defer to the Company's paternalism: "They could carry their own insurance if they got the money, and their own sick benefits, too, if they wanted to."[72] But there was no ignoring the tangible benefit to workers. Over half of those who died in the Company's employment held no other life insurance, and the pension annuities were not "scanty" as Brandes suggests was the general case.[73]

Welfare initiatives also extended beyond the plant. Imperial Oil introduced the ubiquitous company picnic, and bolstered its support of social clubs and sports teams to encourage the "esprit-de-corps, the co-operation, the team-work reflected in a baseball team or a social organization."[74] (The crowning achievement occurred when the *Sarnia Imperials* football team captured the Grey Cup in 1934.) The most concerted efforts came with the construction of townsites at Imperoyal and Ioco replete with playgrounds, bowling greens, and tennis courts. The long-neglected camps surrounding the Imperoyal refinery — created to house temporary workers

[69] *Imperial Oil Review*, 5, 8 (August 1921), 14.
[70] *Imperial Oil Review*, 4, 1 (January 1920), 4.
[71] RCIR, *Evidence*, 2043, 2046.
[72] RCIR, *Evidence*, 2068, 2064.
[73] "Annual Benefits and Annuities Statistics," *Imperial Oil Review*, 1920-32, *passim*; Brandes, *American Welfare Capitalism*, ch. 11. The average annuity in 1927, for instance, was $875, roughly 60 per cent of the average annual wage. What was surprisingly was the small number of annual retirees: between 1919 and 1927, the number ranged from 13 to 17, roughly half the number of men that died while in the Company's service.
[74] *Imperial Oil Review*, 5, 5 (May 1921), 10.

during construction in 1917 — was abolished in 1921 and replaced with nearby cottages.[75] But the Company's claim over the daily life of workers reached its zenith at Ioco. In 1919, the shantytown of cabins, shacks, and "chicken houses" adjacent to the refinery was converted into the "jewel of Vancouver's suburbs." Imperial Oil purchased land on the hillside overlooking the refinery and provided financial assistance to employees who wished to construct a house. A community centre and government-built school followed. With limited road connections to Vancouver, almost every aspect of workers' social life — dances, sports, and more casual socializing — occurred within the Company's purview. Members of the Ioco Tennis Club competed for the "Stillman Cup"; Company-sponsored teams competed in local baseball, curling, soccer, and hockey leagues; and when the land occupied by the baseball diamond was required for plant expansion, the solution was to build a new diamond *within* the plant, with the outfield walls surrounded by oil storage tanks.

Amidst the barrage of initiatives directed at male production workers, surprisingly scant attention was directed specifically towards women employees. The exception was a special "Woman's Number" of the *Review*, issued in January 1925, with a portrait of "The Wise Virgin" adorning the cover. This rather meagre "gift of appreciation for endeavours in the past" reflected management's view that women had a "brief and uncertain stay in the business world." It reported that all of the female office staff were "engaged ... Of course, to Imperial Oil." Left to wonder why they were unmarried, the *Review* concluded that: "The only explanation is that they like their work and the Company so well, that it would be a very exceptional kind of man that would induce them to leave." But resigned to the high turnover of female office staff, the Company only hoped that not too many left at one time.[76]

The third aspect of Imperial Oil's industrial relations program was the "Co-operative Investment Trust," a share-purchase plan. Beginning in 1920, workers with more than 12-months of service could deposit up to 25 per cent of their wages into the Trust and the Company contributed 50 cents for every one dollar of employee contribution. Imperial Oil stock was then acquired and held in trust, along with accumulated dividends, for a period of five years after which shares were issued to individuals. The plan was explicitly structured to further foster labour stability: "Those who have studied the Plan have probably not failed to note that its principal benefits are reserved for those who remain in the service of the Company for five years."[77] Depositors leaving before two years received their

[75] Company housing was also maintained at the East Montréal refinery, primarily for its English-speaking management.

[76] *Imperial Oil Review*, 3, 10 (October 1919), 6. Reports of the women's baseball team in Saskatoon were equally patronizing, inviting readers to look closely at the team photo and notice all the "curves" on the field.

[77] *Imperial Oil Review*, 4, 2 (March 1920), 3.

money back plus 6 per cent interest; those dropping out after two years received stock of a value equal to his/her deposits plus 6 per cent interest; and only by remaining with the Company for the duration of the Plan did an employee receive the employer's contribution. Workers were counselled to "be careful to establish what they can afford" if they were to be successful investors: "It was solemnly averred [by outside critics] that a capitalist was born and not made and that any attempt to make small capitalists out of wage earners who might have no real inclination or talent for saving was doomed to failure."[78] Making capital and labour "comrades" in enterprise was expected to have both immediate and long-term benefits:

For the Company — that is, all of us — it will mean a more united effort as the result of the added common incentive to economical and efficient operation ...; it will make, we hope, for greater continuity of employment, with a minimum change in the personnel of the 'Imperial' family, and will deepen the sense of partnership which has ever been the basis of the relations between us.[79]

Unlike the employee-representation plan and the welfare initiative, the Trust was an unambiguous success from the outset. It enjoyed a high rate of participation: in 1920, of 3,570 eligible employees (with more than one year of service), over 2,500 subscribed to the program. Subsequent share-purchase plans yielded even higher participation rates, with the number of depositors rising to 3,219 by 1925.[80]

As labour market pressures eased and union activity abated, Imperial Oil maintained its commitment to welfare programs. Joint councils proved to be effective as a vehicle for communicating Company policy from the top down, and for obtaining approval for unilateral decisions. As McCallum argues, industrial councils did little more than "cloak" management decisions in a rhetoric of employer-employee cooperation.[81] The refinery superintendent at Halifax offered a cogent example:

From the beginning of our Plant in 1917 ... the cost of living advanced rapidly and to keep the wages in line it was agreed by our Company to add Bonuses to meet the increased cost of living. Therefore, in January, 1922, to bring the schedule of wages in line I held a meeting of the Industrial Welfare Council and explained to them the object of the meeting. I placed before the Council the figures issued from Ottawa, which showed the decrease in the cost of living since 1920 when our last 10% Bonus increase in wages was given. I asked them if they were willing to play the game fair with the Company by passing a Resolution asking the Company to withdraw the 10% Bonus and I am glad to state that the Council after

[78] *Imperial Oil Review*, 5, 5 (May 1921).
[79] *Imperial Oil Review*, 4, 2 (March 1920), 4.
[80] In 1921, Imperial Oil employed over 7,000 people, roughly half of which worked in its five refineries (Ioco, 325; Regina, 275; Sarnia, 1,400; Montréal, 450; Halifax, 1,000). *Imperial Oil Review*, 5, 7 (July 1921), 3.
[81] Ewing, *History*, ch. XIX, sect. C; McCallum, "Corporate Welfarism," 61.

discussing the proposition rose to the occasion and unanimously passed a Resolution to withdraw the 10% Bonus. This showed the Spirit of Brotherhood existing between the Company and its employees.[82]

Workers did achieved a reorganization of working hours at Ioco in 1925, and a rent reduction in Imperoyal in 1926; in general, however, joint councils lapsed into discussions of more routine matters concerning housing, sanitation, safety, and the industrial representation plan itself. During the first five years of operations, over 1,000 issues were addressed, but only 11 per cent concerned wages, 3 per cent dealt with promotions, suspensions, and dismissals; by 1930, of the 205 issues on the agenda, only five concerned wages, and four dealt with promotions and dismissals. Marketing divisions frequently had "nothing to report" and often found no reason to convene meetings.

While other firms were shedding the financial burden of welfare and share-purchase plans, Imperial Oil was relatively insulated from the stock market crash and the collapse of demand in the 1930s. Workers and managers adhered to the implicit contract struck in the 1920s: workers gained economic security and the Company found its reward in the "intangible" returns. In 1930, it concluded that:

While it is difficult even now to measure the results, as they are more or less intangible, the sober conclusion is that it has not only stood the acid test during a very critical period in the world's history, but in addition has created and maintained a finer sense of comradeship, and the Company has enjoyed a greater measure of loyalty, efficiency and continuity of service, in this attempt to recover the necessary 'personal touch.'[83]

Confident that the labour problem had been solved, the Company's emphasis upon narrowly-defined industrial relations issues subsided. The *Review* increasingly targeted a more general readership, as did its distribution. In 1934, it ceased publishing statistics on its benefits and industrial representation plans, and reports on company picnics gave way to coverage of broader public relations initiatives, such as the Sunday night radio broadcasts of "The Imperial Oil Hour of Fine Music" and editorials on gasoline prices and provincial taxes.[84] Industrial relations became just one, albeit important, aspect of a larger publicity campaign to convince the Canadian public and governments of Imperial Oil's social responsibility.

The Dialectic of Deference

The welfare strategies pursued by other Canadian companies in the 1920s and 1930s highlight the distinct paths to soliciting worker loyalty. Sangster persuasively

[82] *Imperial Oil Review*, 9, 5 (May 1925), 7.
[83] *Imperial Oil Review*, 14, 4 (August-September 1930), 16.
[84] Pictures of the members of joint councils appeared for the last time in 1947, presumably to avoid explaining why there was no photograph for the newly-unionized Ioco refinery.

argues that the allegiance of the predominantly-female work force at Westclox in Peterborough was sustained by a "powerful ideological hegemony." While the material rewards were significant — wages exceeded community standards and workers obtained paid vacations, group insurance, and sick leave — they were integrated within a 19th-century style and "patrician sense of patriarchy." Importing prevailing community norms of gender and hierarchy into the workplace "ultimately supported women's secondary status as daughters in the Westclox family."[85] Penmans Limited adopted a similar, though less successful, application of paternalism in an effort to recruit women for its Paris textile mills. It built the Young Women's Christian Association and directed its activities in order to provide suitable accommodation and recreational programs to ensure young women of the respectability of urban factory life. Penmans also introduced a non-contributory pension plan, but its focus was at the community level where it sought to create a "public countenance of helpfulness and concern."[86] Dofasco's capacity to "manufacture consent" also relied on ideological reinforcement, in this instance by identifying loyalty to the Company with loyalty to the war effort. To, Storey, however, it was the appeal to economic security through a profit-sharing fund — coupled with a "consistent and often ruthless policy of dismissing and intimidating attempting to organize their fellow employees" — that offered the most powerful inducement.[87]

There was nothing qualitatively different in Imperial Oil's variant of corporate welfarism *per se* that accounts for its success. Other firms instituted similar welfare benefits, and profit-sharing or share-purchase plans; and the employee-representation plan at the Colorado Fuel & Iron Company upon which it was based suffered through four strikes during twelve years before lapsing into "innocuous desuetude."[88] What was distinctive was the high price that Imperial Oil was able and willing to pay — and that its workers had the capacity to extract — in order to maintain a loyal, union-free labour force.

In 1930, the Company calculated the total costs of its welfare initiatives — some required by legislation — at $2.6 million (Table 3). The first Co-operative Investment Trust (1920-1925) was of greater monetary significance. Workers paid in a total of $4.4 million and the Company's dollar contribution was $2.2 million. The actual cost to Imperial Oil and the benefits to its employees, however, were much greater. When the First Investment Trust began, the nominal share value was far below its actual value ($25 as compared to $125), and Imperial permitted shares

[85] J. Sangster, "The Softball Solution: Female Workers, Male Managers and the Operation of Paternalism at Westclox, 1923-1960," *Labour/Le Travail*, 32 (1993), 167-99. For an elaboration, see her *Earning Respect: The Lives of Working Women in Small-Town Ontario, 1920-1960* (Toronto 1995).

[86] J. Parr, *The Gender of Breadwinners: Women, Men, and Change in Two Industrial Towns, 1880-1950* (Toronto 1990), 45-50.

[87] Storey, "The Dofasco Way," 9.

[88] Cited in Gitelman, *Legacy*, 338.

to appreciate to their market value over the five-year period. At the end of the five-year period, 347,000 shares were purchased at a total value of between $11 and $12 million, yielding a net return to its employees in the order of $7 million.[89] The returns on the Second Investment Trust (1925-1928) were less generous, but still substantial.

These dollar figures can be placed in perspective by comparing them to Imperial Oil's reported profit. Between 1921 and 1929, its manufacturing and refinery earnings varied significantly, but averaged roughly $8 million per annum (Table 4), and the annual cost of its welfare and share-purchase programs exceeded $1.5 million. If the latter is seen as a deduction from the Company's profits it hardly threatened to drive it into bankruptcy; nonetheless, it constituted a sizable claim by labour to a share of profits. Alternatively, one can consider the benefits to the average wage paid to a refinery worker of $1,200 in 1920. The benefits package, valued at $66 per employee per annum, represented a modest 5.5 per cent increase in in-kind remuneration. But those participating in the Trust, received an average annual return of roughly $400, or a 33 per cent bonus on top of their wage. When added to wage rates well above local and national standards, it is clear that labour harmony had its price, and Imperial Oil had both the capacity and resolve to pay.

But this does not imply a passive acceptance of the Company's paternalist rhetoric. In 1920, the Sarnia council responded to the ten per cent wage increase by expressing "their complete confidence that the Directors of the company are now, and will continue to give these matters the attention they deserve."[90] One year later, it explicitly recognized how the change in labour market conditions had altered the terms of the relationship: "on account of the industrial depression, it is the duty of every man and woman in the Sarnia Works organization even more than ever before, to co-operate with the officials of the Company."[91] Nor could the Company be completely assuaged by the views of one Halifax worker who described the employee-representation plan as "perfectly satisfactory ... and capable of great development"; for he added, perhaps naively, that it was "the nucleus of something that can be broadened out into a democratic control of the Company by the men themselves."[92]

After 1919, Imperial Oil's workers rarely, if ever, stepped outside of the "dialectic of deference" — to borrow Parr's term.[93] Workers, however, remained cognizant of their power to resist through informal ways, and Imperial Oil eventually expressed disappointment at the failure of positive work incentives to reduce the rate of turnover, absenteeism, and lost time due to accidents. The annual number of "terminations" from permanent job positions remained relatively high and there

[89]*Imperial Oil Review*, 9, 4 (April 1925), 1.
[90]*Imperial Oil Review*, 4, 1 (January 1920), 9.
[91]*Imperial Oil Review*, 5, 6 (June 1921), 3.
[92]RCIR, *Evidence*, 4279.
[93]Parr, *Gender of Breadwinners*, 50.

was no obvious downward trend in accident rates.[94] The *Review* complained of the erosion of the work ethic by attendance at sporting events and movies, and by the "English weekend." Rising unemployment had partially remedied the problem; however, "in many cases three employees are doing indifferently well what two did before the saxophone displaced the dinner horn." The "menace of success" was that it fostered complacency.[95] In turn, the Company was never remiss in warning that punitive measures were ever present: "The morale of an organization must be kept up, and if the rank and file determine to be fair to the company employing them, the few exceptions can be taken care of through discharges without making it necessary to impose burdensome regulations upon the entire force."[96]

Imperial Oil's workers may be susceptible to the charge that they were "co-opted" or "sold out" by accepting the material rewards at the expense of industrial democracy. But this indictment, if it has validity, is appropriate to a later period. In the economic climate of the 1920s, described as "unpropitious" for labour gains, Imperial Oil's workers attained major concessions in wages, hours of work, benefits, and a lucrative savings plan.

Table 3
Imperial Oil Company, Ltd.
Estimated Cost of Safety and Benefits Plans, 1920-1929

Program	Expenditure
Annuities Plan	$732,507.15
Death Benefits	363,600.85
Sickness Benefits	568,391.47
Accident Benefits	185,661.78
WCB Assessments	582,036.20
Medical Expenses	133,554.28
Total	$2,565,751.73

Source: *Imperial Oil Review*, 14(4) (Aug./Sept. 1930), 17.

[94]Annual terminations varied between 328 and 675 over the decade, equal to roughly ten per cent of insured employees; this compares unfavourably to turnover rates in the American petroleum industry which ranged between four and five per cent. There is no obvious trend in the time lost due to accidents ("Annual Benefits and Annuities Statistics," *Imperial Oil Review*, 1920-32, *passim*).
[95]*Imperial Oil Review*, 9, 10 (December 1925), 14.
[96]*Imperial Oil Review*, 9, 10 (November 1925), 15.

Table 4
Imperial Oil Company, Ltd
Manufacturing and Marketing Earnings, 1900-1939 ($1,000)

Year	Earnings	Year	Earnings
1921	1,349	1930	7,215
1922	7,710	1931	8,915
1923	2,528	1932	4,331
1924	7,927	1933	3,927
1925	7,972	1934	3,023
1926	14,102	1935	2,900
1927	5,648	1936	3,082
1928	16,775	1937	3,527
1929	15,703	1938	3,473
		1939	5,368

Source: Ewing, *History*, Ch. VII, Appendix; Ch. XV, Sec. C, Tables 1 and 2.

The Legacy of Mackenzie King

In a rather roundabout way — from Ludlow, Colorado via Bayonne, New Jersey to Sarnia, Ontario — one aspect of Mackenzie King's influence upon Canadian industrial relations can be concretely observed. The "Colorado Plan" was adopted at several of Rockefeller's companies, including Jersey Standard's refineries following the notorious strike at Bayonne, and subsequently extended to its Canadian subsidiary. Executives at Imperial Oil were reluctant to compare their industrial relations program to that at Jersey Standard, adamantly declaring that "it is not the Rockefeller plan." King, however, claimed at least a share of authorship: "I have seen [Imperial Oil's] plan, and it seems to me in some particulars to be very much a copy of the [Colorado] plan."[97] And he was not wrong, for in his capacity as an industrial relations "consultant" King played a prominent role in the diffusion of corporate welfarism, and company unionism in particular, to several American firms, including International Harvester, Bethlehem Steel, Standard Oil of Indiana, and General Electric.[98]

In many respects, King reflects the "Janus face" of corporate welfarism — with its paternalistic benevolence on the one side and deception on the other. King is credited with creating the "velvet glove over the bloody iron fist" used to pacify

[97]See the comments of Strachan and King, *National Industrial Conference*, 160.
[98]Gitelman, *Legacy*, 252-3.

workers in the wake of the Ludlow massacre; for Ferns and Ostry, he was the creator of "fake organizations" for "sapping the spirit of independent labour"; according to Craven, King's advocacy of employee-representation plans reflected his distrust of labour organizations; similarly, Gitelman notes that King tolerated the use of industrial spies in Colorado while the company union was in place; and Scheinberg, in a peculiar interpretation of Gramsci, excuses King for merely playing out his role as a ruling-class intellectual, to rationalize the use of force and to ensure consent and acceptance of the existing order.[99] Others interpret his actions as consonant with his vision of "capitalism with a human face" and his evolutionary model of industrial relations. Industrial conflict resulted from misinformation and misunderstanding that concealed the common interests of the two parties. Employee-representation plans were thus one stage in "metamorphosis" of the employer-employee relationship: if employers initiated cooperation, workers would reciprocate and "legitimate" unions would evolve into agencies for cooperation.[100] And there is support for the view that, although ultimately unsuccessful, welfare experiments in the 1920s and 1930s were important in paving the way for the post-World War II capital-labour accord. Edwards argues that employee-representation plans demonstrated to firms the value of a grievance process and welfare schemes served to confirm the value of positive work incentives; Brandes describes corporate welfarism as a "necessary step" in the road towards a bureaucratic solution to industrialism; King could champion the "corporatist" strategy described by McInnis in the formation of the wartime Labour-Management Production Committees; and Whitaker concedes the "astonishing prophetic quality" of King's vision reflected in the "corporatist" strategies of the 1970s.[101]

The experience in the Canadian petroleum industry, and Imperial Oil in particular, emphasizes the former face of welfare capitalism. From the National Industrial Conference in 1919, to the hearings of the National War Labour Board in 1943, Imperial Oil championed its industrial councils as an alternative to trade unions for all industries to imitate. When passage of the Wagner Act recognized workers' demands for the right to association and signalled the end of company-organized worker organizations in the United States, the Company successfully lobbied against the exclusion of company unions in comparable Canadian legisla-

[99]H.S. Ferns and B. Ostry, *Age of Mackenzie King: The Rise of a Leader* (Toronto 1955), 216, 208; P. Craven, "King and Context: A Reply to Whitaker," *Labour/Le Travailleur*, 4 (1979), 182, and *"An Impartial Umpire": Industrial Relations and the Canadian State, 1900-1911* (Toronto 1980); Gitelman, *Legacy*, 191; S.J. Scheinberg, "Rockefeller and King: the Capitalist and the Reformer," in J. English and J.O. Stubbs, eds., *Mackenzie King: Widening the Debate* (Toronto 1978).

[100]Gitelman, *Legacy*, 247, 257-8, 261.

[101]Edwards, *Contested Terrain*, 108; Brandes, *American Welfare Capitalism*, 146; P.S. McInnis, "Teamwork for Harmony: Labour-Management Production Committees and the Postwar Settlement," *Canadian Historical Review*, 77 (1996), 317-52; R. Whitaker, "The Liberal Corporatist Ideas of Mackenzie King," *Labour/Le Travailleur*, 2 (1977), 137-69.

tion.[102] Bernstein observes for the United States that "no [manufacturing] industry presented such massive roadblocks to unionization as petroleum,"[103] and the same can be argued for Canada. The first union contract in a Canadian refinery came in 1942, when the Saskatchewan Consumers' Co-operative Federation voluntary recognized the CCL-chartered union. Other small refineries in the prairies followed, but the persistence of company unions among the major refiners is blamed for the Oil Workers International Union "miss[ing] out on the mass organizing drives of the 1940s."[104]

It was not until 1946, at Ioco — ironically where the Company's paternalism had been the most pervasive — that Imperial Oil was forced to recognize unionization among refinery workers. And in 1951 and 1953, when workers at the Shell refinery in British Columbia went on strike in support of demands for a 28 per cent and 5½ per cent wage increase, Imperial Oil's management finally ceded unilateral control over wage setting in the industry.[105] But the non-union status of the majority of Imperial Oil's refineries today is a testament to the Company's opposition to industrial democracy.[106]

A formal approach towards managing capital-labour conflict marked one aspect of the emergence of monopoly capitalism in Canada. As the scale of production increased, continuous processing evolved, and the "drive" system intensified work, the conditions for industrial unionism were created. By 1920, welfare capitalism — structured upon higher wages, a paternalistic benefits plan, profit sharing, and a limited worker voice over shop floor concerns — emerged as the solution to forestall unionization and ameliorate industrial conflict in several firms. But welfare capitalism did not offer a general solution to the "labour problem" in Canada. Its application was largely restricted to firms operating in newer mass-production and monopolistic industries where the need and capacity to purchase labour harmony was predominant. The persistence of company unionism at Imperial Oil reflects the Company's resolve to maintain a union-free status, and the capacity of workers to extract a high price for their loyalty.

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[102]Section 8 of the Wagner Act deemed company unions to be an "unfair labor practice." Brandes, *American Welfare Capitalism*, 108.
[103]Bernstein, *The Lean Years*, 110.
[104]W. Roberts, *Cracking the Canadian Formula: The Making of the Energy and Chemical Workers Union* (Toronto 1990); O'Connor, *Oil Workers*, 57. On the difficulties of unionizing in the face of company unions, see Warren Caragata, *Alberta Labour: A Heritage Untold* (Toronto 1979), 132-6.
[105]NAC, RG 27, v. 486, strike 152; v. 504, strike 165.
[106]Daphne Gottlieb Tara, "Managerial Intentions and Wage Determination in the Canadian Petroleum Industry, *Industrial Relations*, 36 (1997), 178-205.