

Charles E. Wilson at General Motors, 1920-1953;  
A Profile in Industrial Management and Labor Relations

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By

Jeffrey E. Cannon

Thesis Director

Bruce Keelhood

Ball State University

Muncie, Indiana

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Charles E. Wilson at General Motors, 1920-1953:  
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As president of General Motors Corporation (GM), Charles Erwin Wilson became a pioneer in bringing to the automotive industry unprecedented achievements during periods of both war and national economic recovery. For those reasons, his tenure at General Motors deserves close inspection. Competence and compassion contributed to Wilson's steady rise to a leadership position at GM, and in the American business community, bringing the executive to much public attention.

Wilson graduated with honors from Pittsburgh's Carnegie Institute of Technology in 1909, where he earned the nickname, "Wizard;" Wilson had an ability to work integral calculus in his head. He served the Westinghouse Corporation as an engineer and inventor. It was Wilson's design which led to the company's first electric ignition. His impressive developments for Westinghouse opened the door for Wilson to serve as an assistant to the chief engineer and noted electrical genius, B.G. Lamme. Soon after his assignment with Lamme, Wilson found himself in charge of the automobile-electrical equipment

engineering division of Westinghouse. In that capacity, Wilson continued to impress his supervisor with improvements in design and development. Meanwhile, O.F. Conklin of Remy Electric had been watching Wilson's creativity and success. In 1919, Conklin persuaded Wilson to accept a position with the parent company of Remy, General Motors, after Westinghouse had announced plans to move its operations to an eastern city.<sup>1</sup>

Wilson went to Detroit but soon realized that Remy's office needed to be located with its factory. After overcoming opposition from his wife, who had fallen in love with Detroit, Wilson moved his office and family to Anderson, Indiana, where the main factory was located. At Anderson, Wilson recognized that Remy's products required far too many tools for an efficient mass-production system. He began redesigning methods of production which resulted in cost-saving efficiency. When, in 1926, the Dayton Engineering Laboratories Company (Delco) merged with Remy, Wilson was named president and general manager. He developed a way by which GM would save \$5 million annually if Delco-Remy was consolidated into the Anderson plant. Wilson saw that the Delco employees were relocated with jobs before GM moved the operations out of Dayton. These ingenious and cost-saving ideas eventually earned Wilson a promotion to a GM vice president and a move back to Detroit.<sup>2</sup>

Wilson's years in Anderson included a great many personal contributions to the community, earning him the respect of his neighbors and business peers. One such contribution preceded

the merger and relocation of Delco. Wilson, keenly aware that the merger would bring an influx of new workers, led local businessmen in developing adequate housing facilities in the area. This gesture is exemplary of Wilson's ability in long-range planning--planning that benefited both community and company. Linfield Myers, an Anderson banking official and Wilson friend, recalled Wilson as having a "gregariousness and intense desire to please."<sup>3</sup> Wilson's industriousness and competence were significant factors in his climb to the presidency of General Motors.

Wilson's promotion offered him an opportunity to develop his ability to streamline production techniques and to have a hand in establishing the corporation's approach to labor relations and collective bargaining. Labor unrest was not new to Wilson. He once wrote to Alfred P. Sloan, Jr., long-time president and chairman of GM, and shared his first experience with a labor dispute:

In 1915 and 1916 I had my first experience with a big strike. I came to work one morning and found 5,000 or 10,000 men on strike and milling around the plant. While I was an engineer and not working in the factory at that time, they would not let me in. I could see I was going to get rough treatment if I persisted, so I took a street car back to Wilksburg and took a train to East Pittsburgh so I could get off on railroad and Westinghouse property where the pickets could not get at me. This experience stimulated me to take an interest in labor problems. (4)

The first encounter with a labor-management disagreement would not be Wilson's last. He was on management's side of

the table in 1937 when then-President William S. Knudsen assigned Wilson the task of negotiating an end to the lengthy sit-down strike between the United Auto Workers (UAW) and the company. Knudsen was to say, "You take care of this labor business. You've got more patience than I have and you talk more."<sup>5</sup> To deal with the union, which, by nature of the strike, occupied company property, Wilson needed both stamina and strong convictions. The strike ended, and Wilson benefited professionally from his role. In 1940, Knudsen accepted President Franklin D. Roosevelt's offer to oversee wartime production, and Wilson was appointed acting-president of General Motors. Knudsen soon resigned all connections with the automaker, and Charles Wilson became the president of one of the nation's largest corporations.

When he began his tenure as president, Wilson began a tradition whereby he "rarely spent even a night away from office or plant."<sup>6</sup> This practice was largely a result of GM's immense wartime production schedule, but Wilson's dedication to his job was also responsible. He has been characterized as exercising by "hiking through the GM plants, where he enjoys listening to the syncopated rhythm of the production line."<sup>7</sup> Occasionally, he would go out into the workers' environment in an attempt to understand the business from their vantage point. One of the most admirable traits of Wilson was his concern for the individual worker.

Wilson had the opportunity to reflect and examine GM's

position with labor on two occasions. In 1941, Wilson was hospitalized with a broken hip, and two years later he suffered from exhaustion and was again hospitalized. Even as he was idle, Wilson kept working; he set up his office in his hospital room and conducted business without interruption. On one occasion while hospitalized, Wilson shared an unusually philosophical interpretation of the General Motors future with Peter F. Drucker, the noted management specialist:

In the three months I've been idle, I've been thinking about GM's future...To design the structure and develop the constitutional principles for the big business enterprise was the great achievement of the founding fathers of GM, the last generation. To develop citizenship and community is the task of the next generation. We are, so to speak, going to be the Jeffersonians to Mr. Sloan's Federalists. (8)

Sloan's leadership of GM had established the groundwork to which Wilson would add the working elements to make GM a strong industrial leader. It was important, therefore, for Wilson to make sure that a mature business atmosphere was created with careful consideration to the individual worker. Employee opinions on this matter were of interest to Wilson:

At first he wanted to have a big employee survey and was told that he could expect a 5 percent response. "That's not enough," he said. So he and his staff people came up with the idea of a contest--"My Job and Why I Like It"--with a lot of prizes and outside judges to award them. (9)

The 1947 General Motors annual report elaborated on the contest:

The success of the contest is indicated by the fact that...58.8% of those eligible, participated. Of even greater significance were the

nature and tone of the letters, which revealed a great depth of understanding and appreciation of what it means to work in General Motors...The sincere and direct statements of employees...provided first hand evidence of how they feel and think. This information, coupled with constructive suggestions which many employees offered, should contribute importantly to our long-range program for making General Motors an even better place in which to work. (10)

Drucker goes as far to say that the contest was "the crowning achievement of his [Wilson's] career at GM."<sup>11</sup> To deny the success of the contest would be erroneous; to say that it was Wilson's foremost accomplishment would be an understatement of his contributions.

The labor relations success of Charles Wilson materialized after World War II. The immediate postwar climate was restless. Workers were faced with mounting economic hardships caused by spiraling inflation. Wilson had recognized the likelihood of the economic plight for the employee as early as 1941. At that time, during his hospitalization, Wilson devised a plan which would help the worker beat rising inflation by using:

...Wage adjustments based on changes in the cost of living...Otherwise, the corporation would continually be in the position of giving increases to some of its employees and not to others--which would be logical enough as far as the economics of the case went, but which might create real psychological problems.

The other point put forward by Mr. Wilson concerned the means of affording our workers a share in rising productivity. It was his contention that the only feasible way to do this was to set a fixed increase which each worker would receive annually. This proposal was the origin of the "annual improvement factor" in the General Motors formula. (12)

Wilson was not able to introduce these proposals until the 1948 contract negotiations.

Labor negotiations became a specialty of Wilson, and his achievements in this area were a source of pride. As he once said:

The test of labor relations isn't rhetoric. The test is results. We lose fewer days to strikes than any other major company in this country...We have greater continuity of union leadership. And both the union and we get the things the country, the company, and the union need: high discipline, high productivity, high wages, and high employment security. A union is a political organization and needs adversary relations and victorious battles. And a company is an economic organization and needs productivity and high discipline. At GM, we get both--and to get both we need the union relations we have. (13)

Central to his approach in creating workable labor relations was Wilson's perception of the fundamental policies of General Motors. In 1955, Wilson reflected on the principles as he saw them ten years earlier:

1. The careful selection and placement of employees, to make sure that they are physically, mentally, and temperamentally fitted for the jobs they are expected to do.
2. The education and training of employees, so that they will qualify for better jobs, and so that they will be able to do more efficiently the current work they are assigned to do.
3. The organization of employees of the corporation, throughout the various divisions and the various types of operations, into effective operating units. Perhaps I might sum it up by calling it the over-all business administration of the corporation, so that each man will know what is expected of him and there will be the minimum amount of friction and unnecessary work....

4. The tools, facilities, and places to work supplied to the employees. In other words, the better the tools, the better the machinery, the better the working environment, the more that can be produced....

5. Individual application to the job. To develop the maximum personal application to the job at hand requires sound incentives. It requires fair recognition for the results achieved, so that the fifth point is individual application to the job under an operating plan providing for incentive and recognition for work.

6. The products, new and old, that we plan to manufacture and sell. To back this one up, we must have the soundest research and engineering, and the proper approach to the products which we are going to undertake to deliver to the people of our country, so that we can promote our slogan of "more and better things for more people." (14)

Each of the six principles is oriented towards all GM employees. With management personnel, Wilson had a good deal of flexibility in assigning them to suited tasks. Similar placement of union members was restricted within the context of a contract. Work measurement, work incentives, work efficiency, and cost-effectiveness were in their infancies in 1945; Wilson gave sophistication to them during his tenure in the automotive industry. The fifth point made by Wilson has possibly served as a basis for contractual language of present-day union-management agreements; incentives and recognition programs were absent in 1945 as well. The concluding principle is, in effect, paid for by the first five. GM's goal is to provide quality products to the customer so that the consumer remains a buyer in the future. Concern for the individual worker transcends the GM environment, training,

expectations, facilities, and product. Wilson's perception of purpose was astute; his implementation of these ideals was a sincere effort recognized by the UAW forces headed by Walter Reuther.

The first face-to-face meeting between Wilson and Reuther came in the 1939 negotiations involving General Motors and the UAW. Walter Reuther was an extremely adept negotiator and a strong-willed man who advocated his union's views with a powerful vigor. It was difficult for most corporate executives to get along well with Reuther, but Wilson did better than most. The conservative Wilson seemed to complement the often radical and unrelenting Reuther. Over the years, the two leaders were able to develop a good rapport in regard to their respective interests. One industry observer noted:

Reuther and Wilson had a special, trusting relationship. The red-headed militant and the white-haired millionaire frequently met privately exchanging ideas and developing a warm friendship. They often talked on the telephone for a half-hour or longer. Years afterward, Reuther said:

"I've always thought that C.E. Wilson was really a very decent, genuine human being. The test of that is whether you can still act human after going through the GM corporation machine, and he passed the test." (15)

That both men, with such differing responsibilities, would not let business affect personal relationships is the hallmark of professionalism; even with reservations about one another, admiration coexisted with aggravation. Wilson once remarked that union demands represented "business as

16  
usual." Reuther responded with a sharp jab:

Mr. Wilson and three other top executives of General Motors are drawing salaries and bonuses of \$6,644,437 a year. Maybe these things ought to be brought up when Mr. Wilson talks of sacrifices and business as usual. (17)

Such rhetoric was common between the two men. Wilson and Reuther did not always draw the battle lines behind closed doors:

A shrewd poker and bridge player, Wilson plays his best when the stakes are high. He can sit down with as canny a bargainer as UAW's President Walter Reuther and come out with his shirt on. Once he accepted Reuther's challenge to a public debate; the jury of newsmen, who had expected persuasive Walter Reuther to triumph easily, thought Wilson held him to a draw. "I get along with Mr. Reuther as well as anyone on my side of the table," Wilson said recently, "and considerably better than some on his side." (18)

Despite similar confrontations, the working relationship that Wilson created with Reuther--and one that Reuther accepted--made tough negotiating sessions a matter of professional business administration. Wilson's opinion of Reuther came mostly out of a respect for the individual workers represented by the union; Reuther's opinion of Wilson originated from an appreciation of that respect.

One exception to the friendly relationship between Wilson and Reuther occurred from the tension surrounding the severe strike immediately following World War II. As Alfred Sloan suggested, the unrest was not entirely the fault of the corporation:

In the early postwar period, our prospects for workable labor relations appeared to be remote...During the 119-day strike, President Truman formally backed up the union's controversial insistence that our "ability to pay" should affect the size of the wage increase. We successfully resisted this unsound proposition, but there is no doubt in my mind that the President's statement served to strengthen the union's public position and thus prolong the strike. (19)

At issue was the Truman administration's indication that wages could probably be raised substantially without affecting costs. William H. Davis, Director of the Office of Economic Stabilization, declared that wages could possibly be increased as much as 50% without being inflationary.<sup>20</sup> Wilson responded several weeks later by announcing that a compensatory increase in automobile costs would necessarily accompany a wage increase.<sup>21</sup> Furthermore, Truman's statement--"ability to pay is always one of the facts relevant to the issue of an increase in wages"<sup>22</sup>--was not taken lightly by GM. Truman was, in effect, agreeing with Reuther's contention that General Motors<sup>23</sup> could afford a 30% increase in employee wages.

The automotive industry was not the only business affected by strikes and governmental policies. In addition to General Motors and its competitors, the United Mine Workers followed the UAW's path. The nation's coal mines faced a shut-down if union demands were not met. A reduction in coal supply would have a crippling effect on the automotive and steel industries,<sup>24</sup> as well as the nation's economy. Wilson and General Motors saw an opportunity, and, to some extent, a responsibility to

take the lead in improving the labor environment and bringing the country's economy back into a comfortable position.

Wilson's chance came in 1948. After numerous stalemate rounds of negotiating, GM issued a statement to the UAW putting the bargaining efforts in perspective. The company acknowledged that the union had rightfully represented its position--just as the corporation had presented its beliefs. General Motors recognized the UAW's contentions as "protecting the worker from increases in consumer prices and assuring the worker that the buying power of his hour of work will increase as the nation's industrial efficiency improves."<sup>25</sup> The objective, then, was for the corporation to make provisions which allowed the workers' earnings to keep pace with rising inflation.

GM proposed methods to "re-establish, protect, and improve the buying power of an hour of work."<sup>26</sup> The company position emphasized:

We sincerely feel that if General Motors and the UAW-CIO can reach agreement based on these objectives, that it would not only be a tremendous forward step in industrial relations but would also be a great force in promoting economic stability and progress in the nation. Assurance of cooperation and stability over this period is essential if our employees are to realize the benefits our proposals represent. (27)

A General Motors statement of 25 May 1948 outlined the settlement:

1. A cost-of-living adjustment based on the Consumer Price Index of the Federal Bureau of Labor

Statistics of 100.2 for 1940 and 169.3 for April of this year and the average wage rates of 1940 and the present rates. This cost-of-living adjustment has been determined to be 8¢ per hour.

2. An annual improvement factor to increase the standard of living of workmen. The company has agreed to underwrite this at 3¢ per hour.

3. Quarterly adjustments in the cost-of-living factor to be based on the Bureau of Labor Statistics cost-of-living index.

4. Wages under the formula and contract provisions have been stabilized for two years. (28)

The key to the agreement is the annual improvement factor and the use of the cost-of-living index. Wilson's 1941 brainchild became a reality seven years later. On the surface, it appears that GM relinquished to the Truman administration's political pressure. As evidenced by Wilson's thinking in 1941 and 1943, the contract negotiations of 1948 provided the opportunity GM had been waiting to find.

Wilson knew that to have a long-term contract, provisions of some substance were needed to cement them. His introduction of an "escalator clause"--providing a cost-of-living adjustment--was one such element to make the two-year offer attractive to the union. Also, Wilson's belief that workers deserved a share in the corporation's prosperity led to the suggestion of an annual improvement factor.<sup>29</sup>

Immediately, the business community had mixed reactions to Wilson's precedent-setting innovations. A major corporation had not yet made a daring and far-reaching proposal in

collective bargaining until Wilson and GM did it in 1948. Criticism spawned out of fear and sheer newness. The improvement factor was "assailed by management as too costly; by unions as tending to shove aggressive unionism into the background."<sup>30</sup> Wilson had to defend the pact on the grounds that it did not establish a lead for other industries. In an address to the Rochester, New York, Chamber of Commerce, Wilson answered the criticism of some businessmen toward the GM contract:

It did not establish a national pattern of so many cents per hour. We do not believe in uniform national wage patterns. If through the years such patterns are set by a few of the large corporations and all industry is forced to follow them through union pressure, we will in effect have national bargaining. Collective bargaining will then have failed and some other means will have to be found for determining wages of union workers. (31)

Wilson tried to reason that other enterprises might not be able to match an agreement like GM's. He encouraged similar bargaining efforts to be negotiated within the confines of the specific management and union. If other unions were as influential as the UAW, they, more than likely, did not heed Wilson's advice and began applying the GM precedent to their own positions.

A favorable comment about the 1948 agreement came from a New York Times editorial, and Wilson used it in defense of the contract:

It would be a good deal less than accurate to say that, from the standpoint of national economic well-being, the General Motors settlement has produced the perfect formula. The perfect formula, if we are thinking in terms of an antidote for inflation, would relate wage increases directly to production rather than cost of living. But as an instrument of company-wide economic and social justice it has a great deal to commend it. (32)

Union and management were pleased with the workings of the wage formula during its two-year trial. They were so satisfied with the formula that it was re-worked into the 1950 GM-UAW contract--another landmark agreement which astonished the industrial community and became attributed to Charles Wilson.

It was, perhaps, the lack of labor unrest during the two years of the 1948 contract which led to the unprecedented five-year pact in 1950. Two consecutive multi-year contracts were advantageous for both concerns--management and labor--as Alfred Sloan noted:

These longer intervals gave the corporation more assurance that it could meet its long-range production schedules; and they also meant an important saving to us in executive man-hours, for labor negotiations have invariably consumed a great deal of the time of the highest officials of the corporation. The longer-term contracts also relieved our employees of their annual concern over the prospects of a strike and enabled them to plan their own affairs with greater confidence. (33)

General Motors came out the big winner, however, with seven years of uninterrupted production and an ever-strengthening position in American business. Wilson, with a sense of

humility, gave some recognition to the union for the successful negotiation of the five-year agreement. He told the National Press Club:

The five-year agreement could not have been reached except for the progress made two years ago in adopting a formula for fair wage determination, and if the UAW-CIO had not demonstrated during this two-year period its sincerity and responsibility in carrying out agreements. (34)

Praise worked both ways. Walter Reuther hailed the contract as "the most significant development in labor relations since the mass-production industries were organized."<sup>35</sup> In an analysis of the 1950 agreement, University of Chicago economist Frederick H. Harbison gives credit to Wilson and GM: "Reuther accepted GM's wage formula; the corporation did not buy Reuther's ideas."<sup>36</sup>

The 1950 package included the 1948 escalator clause, an improvement factor of 4¢ per hour (a one-cent increase over two years previous), and an employee pension fund. In an address before the National Association of Food Chains, Wilson explained the provisions:

The cost-of-living formula...adjusts the wages of our employees to what other pressures have forced on the national economy...The annual improvement factor...recognizes that a continuing improvement in the standard of living of employees depends upon technological progress, better tools, methods, processes and equipment, and a cooperative attitude on the part of all parties in such progress. It further recognizes the principle that to produce more with the same amount of human effort is a sound economic and social objective...The pension plan [was] worked out in order to assist employees in protecting themselves against...the hazards of life. (37)

The escalator clause and annual improvement factors had worked before. Pension funds and five-year durations were the innovations of 1950. Again, Wilson unveiled concepts which were alien to an industry still advancing to maturity.

In an exchange of thoughts with Peter Drucker, Wilson explained his vision of the pension fund:

Wilson: What about employee pensions? There 4 or 5 percent can make a difference, and social security isn't going to provide adequate employee pensions for people whose life-time wages have been as high as those of automobile workers are likely to be.

Drucker: How will you invest those funds? In government bonds?

Wilson: Oh, no. In the stock market. Altogether they should be invested the way a prudent financial manager would invest them.

Drucker: But that would make the employees, within twenty-five years, the owners of American business.

Wilson: Exactly what they should be and what they must be. For the income distribution in this country surely means that no one else can own American industry unless it be the government. (38)

Drucker called the GM pension fund "the first that invested according to sound principles of financial management."<sup>39</sup>

Investment of the fund was based on four guidelines:

Professional independent management of corporate pension funds as "investment funds"; minimal or no investment in the company for which the employee works; no investment in any company in excess of 5 percent of the company's total capital; and no investment in any company of more than 10 percent or so of the total assets of the pension fund. (40)

The pension fund is exemplary of Wilson's long-range planning at General Motors. The five-year contract is an example of a long-term peace between union and management.

Wilson was proud of the 1950 achievements; he considered them "his greatest contribution to good labor relations, efficiency, stability, and industrial peace."<sup>41</sup> He included the five-year agreement in a list of fifteen highlights of GM success, saying the contract "kept General Motors free of major labor troubles...while important competitors have had serious labor trouble...which importantly reduced their competitive position."<sup>42</sup> Despite the criticisms, the 1950 contract was a significant accomplishment for labor and management as Wilson believed. Harbison summed up the agreement as being:

...a shrewd and realistic treaty which has been hammered out over a period of years by an unusually efficient, far-sighted, and intelligent management and an unusually militant, aggressive, and imaginative union. (43)

Wilson did not take part in another GM-UAW negotiation. Before the 1950 contract expired, President Eisenhower called Wilson to Washington to take a cabinet post as the Secretary of Defense.<sup>44</sup> After his departure from GM, Wilson's contributions were still felt. In 1955, a new three-year contract was agreed upon by GM and the UAW. It contained the annual improvement factor, the escalator clause, and the pension plan--as well as being multi-year in nature.<sup>45</sup>

The fact that Wilson's accomplishments were felt years

after his tenure as president speaks for the significant impact he had on the automotive industry. His concern for the individual worker was paramount in his approach to creating a responsible industry. Wilson's marks on labor relations and in production planning were most substantial.<sup>46</sup> He was not always in agreement with others, and his individuality and candor often won him more criticism than admiration. Above all else, Wilson seemed to be:

An energizing spark-plug of the world's greatest motor-car company, aggressive, progressive, constantly on his job; outspoken advocate of sound economic policies; keenly conscious of the social responsibilities of a great corporation; mindful of the just claims of labor and the multitude of small investors who have entrusted their savings to his stewardship. (47)

Wilson's business career was one which earned him both praise and criticism. Even so, whether a supporter of his approach or an opponent of his direction, those who came to know Wilson--the man or his ideas--could only agree with Walter Reuther's eulogy upon Wilson's death in September, 1961:

"...a top industrial executive who possessed the rare combination of business competence and deep human understanding."<sup>48</sup>

## NOTES

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The Charles E. Wilson Archives, located at Anderson College, Anderson, Indiana, hold a collection of 200 manuscript boxes of correspondence, numerous bound volumes of speeches and press releases, and over twenty news files of clippings and photographs. The range of Wilson memorabilia covers the years 1926-1961, including his tenure as president of General Motors and Secretary of Defense.

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