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Keywords

company towns, corporate welfare work, paternalism, welfare capitalism

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Avant-garde Welfare Capitalism

Corporate Welfare Work and Enlightened Capitalism in Great Britain, the US, Germany and France (1880-1930)¹

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Abstract

This research paper deals with welfare work in four industrializing countries, Great Britain, the USA, Germany and France, in the half century of flowering enlightened paternalistic capitalism between 1880 and 1930. Welfare work in this context is defined as, sometimes overly, paternalistic labour policy of enlightened entrepreneurs often encompassing workman's housing programs, pensions, saving programs, educational programs, sports facilities, medical services, worker participation, generous remuneration forms, and shorter working times. The question is raised if nowadays flex-capitalism in the context of shrinking collective welfare states can learn lessons from past experience with welfare work. By redefining paternalistic welfare work in modernistic terms as well as by reweighting company, personal and state responsibilities a new future-proof trade-off as regards welfare work might be realised.

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(1) Setting the stage: Émile Zola's workers utopia

In one of his last works before he died, renowned French author Émile Zola, sketched a utopian *cité idéale* , or ideal steel manufacturing company town by 1900. He compared this new fictive town, La Crêcherie, with the adjacent more traditional company town, Beaucourt. By contrast to Beaucourt, workers at La Crêcherie had better working conditions, better wages, shorter working hours and could also dispose of a number of additional welfare work benefits, like attractive family houses with gardens, green parks, schools, cooperative shops, pensions, etc. Moreover, to prevent a monotonous work life, workers at La Crêcherie had to rotate tasks several times a day. All in all, workers and their families at la Crêcherie were happier and also healthier than the workers at Beaucourt. Zola's novel wasn't a complete figment. He based his utopia on Fourier's ideas concerning the Phalanstère, a collectively organized utopic living and working community. Zola also administered in advance extensive research in the important French coalmines of Anzin in the North of France, as well as in a large steel complex in industrial city Saint Etienne. What Zola had in mind at that time was influencing social reformers, and progressive employers and politicians in the French Third Republic and likewise defining a new ideal for French labour relations after the turn of the 19th century². In fact, Zola's *cité idéale* better expressed the progressive mood of the past in France -as well as in many other capitalist countries-, because avant-garde like company towns had been built already in France and elsewhere from the 1850s³.

(2) Introduction

² Émile Zola (1901). *Travail* . Gallimard: Paris. See also Émile Zola (1885). *Germinal* . Gallimard: Paris. The research at Anzin was done before writing *Germinal* , a novel about a dramatic labour conflict at a mine complex in the North of France. The French left received 'Travail' well, but not uncritically. The practical impact of his book on French industrial relations remained limited.

³ Albeit with one exception. In 1917 famous French architect Tony Garnier published a design of the ideal *cité industrielle* , a modernist future company town to be realized in the big industrial region in the Southeast of France. Garnier based his design on the ideas of both Fourier and Zola.

In the golden age of enlightened capitalism between 1880 and 1930 many, mainly larger, companies in various sectors (e.g. textiles, railroads, coalmining, metallurgy, electro technics, food, chemical industry) in various industrialized countries introduced comprehensive welfare work programs. These programs could encompass all kinds of provisions, such as workman's housing, cheap mortgage loans, profit sharing schemes, saving schemes, pension saving schemes, schools, health care services, shops, sports facilities, and worker participation. Employers, often also supported by social reformers, had various short term as well as long term economic and moral objectives for introducing welfare work programs in their companies. The most important were: creating a stable workforce by preventing a high turnover and binding workers and worker families to the company, preventing strikes and labour unrest, keeping unions out, moralizing and disciplining the workforce, improving motivation and productivity of workers, betterment of worker's health and finally, improving hygiene in the workplace, but also inside the workman's home. Often company welfare work programs protected workers from the cradle to the grave. Before World War I the provision of workman's housing, profit sharing, saving schemes, pensions, schools, and health services were the most important issues of welfare work. After World War I, until the 1930s, by and large, the interest of employers and reformers shifted to worker participation and to combining welfare work with efficiency and the organization of work (scientific management and Fordist work policies). As a result, traditional paternalism was gradually replaced by what has been coined as neo-paternalism. Then, the Great Depression of the 1930s caused a rapid and sudden decline of welfare work and enlightened capitalism in the majority of the companies involved. Today a number of welfare work programs still exists, albeit in a different guise and packed in HRM-programs. What is more, after World War II in many countries national states incorporated a large part of former company welfare work into newly created collective welfare state provisions, such as housing, pensions, education, and health services.

In this paper I will deal with the development of corporate welfare work in a comparative way in the four most important capitalist countries in the period between 1880-1930. These are the US, Great Britain, Germany, and France. In Germany, then becoming next to the US one of the most important industrial nations in the world, corporate welfare work got a rather unique additional dimension by close links with new factory architecture, product design, product quality, quality work and joy in

work. One of the main reasons for looking backward in time is the recently initiated dismantling of collective welfare state provisions in many western countries, causing voids in social and worker protection. At the same time personal responsibility of workers for their own work and welfare is stressed in increasingly flexible work settings. As Richard Sennett has made clear in his impressive evaluation of the ‘new capitalism’ of our time, this development could easily go at the expense of worker’s craftsmanship and likewise, personal security⁴.

The question at issue is, if we can still learn in this respect of past experience with welfare work at the time of enlightened capitalism, a period in which a substantial number of employers in the four countries under examination took responsibility for workers’ welfare, sometimes as has been noted above ... ‘from the cradle to the grave’?

(3) Political, economical and ideological roots of enlightened capitalism

The period 1880-1930 may be considered as the blooming period of enlightened capitalism in the whole Atlantic world, including the United States, Canada, Australia and Europe. Apart from the severe economic crisis of the 1880s, this period was characterized by a steady strong economic growth in these parts of the world. It was also a time of progressive politics and social reforms. Think in this respect of the ‘Progressive Era’ in the United States, the late Victorian reform period in Great Britain, the Third Republic in France and of pre-war Wilhelmine Germany and its post-war successor the Weimar Republic. What is more, it was also a period of intensive willingness of policy learning across borders and continents with the intention to tame the negative consequences of unbridled capitalism. In particular, there was an extensive mutual exchange of ideas and practical experiences with respect to social and employment policies between America and Europe promoted for

⁴ Richard Sennett (1998). *The Corrosion of Character. The Personal Consequences of Work in the New Capitalism*. W.W. Norton & Company: New York; Richard Sennett (2006). *The Culture of the New Capitalism*. Yale University Press: New Haven; Richard Sennett (2008). *The Craftsman*. Penguin Books: London.

example by the universal expositions in both continents and mutual inquiring visits of employers, reformers and social scientists⁵.

The economic roots of enlightened capitalism are located in both the first and the second industrial revolution. The first industrial revolution characterised by the invention of the steam engine and the market economy, as well as the rapid development of new transport systems, took off in the 18th century and in the first half of the 19th century, initially in England and subsequently also in other countries. It marked the transition of agricultural labour into industrial labour through the factory system and mechanisation of work. This caused a huge demand of labour and migration from countryside to town, and to places with an abundant availability of natural resources for the new industries. In order to be attractive to agricultural workers and artisans new and growing companies were urged to introduce welfare work as well as to provide in company housing in places where adequate workman's housing was not available. Welfare work in this period was by nature paternalistic, primarily directed at moral education and disciplining of the new work force as well as at the prevention of labour unrest. Often also religious or utopian motives at the employer's side played a role. The second industrial revolution took off at the beginning of the 20th century, first in the US and then also prominently in Germany. This revolution is characterized by the invention of electricity, new materials, medicine, cars, scientific management and Fordism, and marks the transition from traditional paternalism to neo-paternalism in which managerial capitalism instead of family capitalism was going to play a dominant role. The second industrial revolution didn't imply the end of traditional paternalistic welfare work. On the contrary, it just implied a shift within traditional welfare work programs and, in addition an extension of traditional welfare work programs with Taylorist and Fordist policies at the company level⁶.

⁵ Rodgers, Daniel T. (1998). *Atlantic Crossings. Social Politics in a Progressive Age*. The Belknap Press of Harvard University Press: Cambridge (Mass.).

⁶ See for example: Hobsbawn, Eric (1996). *The Age of Capital. 1848-1875*. Vintage Books: New York; and Hobsbawn, Eric (1989). *The Age of Empire. 1875-1914*. Vintage Books: New York.

Except economic and political roots enlightened capitalism had also religious and ideological roots. The Protestant ethic is not only interwoven with the onset and development of capitalism itself, but also with the development of enlightened capitalism. A good example is the extensive welfare work policy of a small cohesive network of family-related Calvinistic Mulhousian textile entrepreneurs in mid-19th century Alsace. This group of entrepreneurs built in a very early stage in time not only for mere economic reasons one of the most extensive company towns or ‘cités ouvrières’ in France, consisting of at that time attractive single-family houses surrounded with gardens and provided with several amenities. These entrepreneurs also developed other welfare work programs like pension schemes, a mutual aid fund, medical services and cooperative shops and last but not least, had a significant influence on social reforms at the state level in France, such as the legislation of child labour. Subsequently, the so-called ‘Mulhousian welfare work model’ was widely emulated by employers in other French towns and regions. Another example is the welfare work programs introduced by Quaker-entrepreneurs in England and the United States. The Cadbury-family created its own ‘workingman’s paradise’ at Bournville near Birmingham by the end of the 19th century, some years later emulated by Quaker-chocolate manufacturer Milton Hershey in Pennsylvania. More secular examples are Robert Owen’s ideas on the future of human society and Fourier’s ideas of a phalanstère, a communist living and work community. Owen had practised his ideas first in his cotton factory and company town New Lanark in Scotland and later he attempted in vain to create sustainable idealistic living and working communities in the New World. Fourier never realised his phalanstère, but had a strong influence on many temporary attempts, mostly by European immigrants, to create phalanstère-like communities in the New World. In France, Fourier inspired Jean-Baptiste Godin, a stove manufacturer, building a so-called Familistère, adjacent to its already existing factory. The Familistère was designed in accordance with Fourier’s phalanstère and contained a great number of apartments for his workers and their families. On the same site Godin built a school, a large theatre, bathing and washing facilities, a restaurant and an indoor swimming pool. Fourier also inspired the futuristic, but never realized ‘cité ouvrière’ designed by renowned French architect Tony Garnier between 1901-1917.

(4) A closer look at welfare work capitalism in Britain, the US, and France

Britain has been the cradle of corporate welfare capitalism. Already in the initial stage of the industrial revolution from the mid 18th century onwards a significant number of entrepreneurs introduced welfare work programs including company housing in new factory villages adjacent to their factories. Apart from 18th century New Lanark, Saltaire in West Yorkshire constructed after 1851 is exemplary. Sir Titus Salt, a wealthy self-made textile manufacturer employing some 3000 workers constructed factory village Saltaire. The ultimately 800 workman's dwellings with gardens attached in Saltaire were built in wide streets, with spacious squares and recreational grounds. All houses disposed of water, gas and lavatories. Salt also built churches, a hospital, a community center, factory schools and a park.

However, in that time the dominant entrepreneurial doctrine was still 'laissez-faire'. A more comprehensive social doctrine or concise idea of social policy still lacked.

The apex of welfare work in Britain was reached by the end of the 19th century when for the majority Quaker entrepreneurs in the realm of the chocolate and food industry (Cadbury, Rowntree, Fry) developed sometimes-bulky welfare work programs. For example, the social reform oriented Cadbury-brothers moved their factory in Birmingham to a new site near Birmingham. There they constructed their 'factory in a garden' and also built the romantic workingman's village Bournville with about 300 redbrick cottages with front and back gardens in tree-lined streets. The industrial garden village also got churches, schools, a meetinghouse, shops and a library. The Cadbury's business philosophy was based on benevolence, efficiency, equal treatment and social justice. The working conditions in the factory were compared to factories in neighbouring Birmingham significantly better. Monotonous work in the factory was combatted for example by introducing shorter working hours and encouraging the workers to make use of the educational provisions. Also a works council was introduced.

Another notable example is Port Sunlight built in Cheshire by William Hesketh Lever, co-founder of soap manufacturer Lever Brothers. Like the Cadbury's Lever built a model industrial colony consisting of 720 houses in old English style with gardens by 1909. Lever wanted to create one big 'Sunlight-family' and promoted all kind of social clubs for his workers, such as a band, a historical society, a choir, and a horticultural society. Workers worked eight hours per day instead of twelve hours elsewhere. Wages were rather generous. Workers received sickness benefits, pensions and could make use of medical services. There existed also a well-developed system

of profit sharing, called prosperity sharing. Unions were also allowed, as well as collective agreements.

As Britain has been the cradle of corporate welfare work, the United States may be characterized in this respect as the land of the creation of an almost unlimited number of company towns and welfare work where big mistakes and negative effects of the industrial revolution in England could be avoided. The American government defined welfare work in 1916 broadly as ‘anything for the comfort and improvement, intellectual and social, of the employees, over and above wages paid, which is not a necessity of the industry nor required by law’. In practice this encompassed issues such as company housing, education, recreation, profit sharing, stock ownership, medical care, sickness benefits, pensions, social work, grievance procedures, and worker participation. As in Britain, the United States has some fine examples of early welfare work initiatives by enlightened paternalistic employers, such as the exemplary construction of Pullman City. However, the apex of American corporate welfare capitalism was reached between 1910 and 1929, when not only employers built a number of so-called ‘new’ company towns, but also widely supported the view that cooperation between management and labour would be beneficial to both the well being of workers and the efficiency and productivity of firms.

George Pullman, owner of the Pullman Palace Car Factory, designed both a new factory and company town in Beaux-arts style near Chicago (Ohio) in the 1880s. The town was laid out as a geometric iron grid. Pullman based his town on his aesthetic conviction of the commercial value of beauty. The factory was constructed adjacent and separated from the town by a major boulevard. The town also had greens, a lake, a public park, a number of public buildings such as a church, schools, a hotel, a market building with shops and a multipurpose community building. Houses were for rent and disposed of gas, water and sewerage. The town had almost 13.000 inhabitants by 1893.

Pullman ran the town autocratically as a private company and saw the company town as an economic investment. Factory wages were on average, but temporary sick workers received full payment. Disabled workers were offered suitable employment. On the other hand, unions were not allowed. The big so-called Pullman strike in 1894 about a severe wage cut heralded the gradual demise of the company town in the late 1890s as well as the end of Pullman’s overly paternalistic welfare work system. Pullman’s model remained exemplary and didn’t really get a successful follow up by

other American companies. Nevertheless, the evolution of ‘new’ company towns from 1910 onward signified an extraordinary step forward in the evolution of American welfare work. By contrast to former more traditional company towns a ‘new’ company town was a company town, which was designed and planned for the first time in American history by professional independent architects, landscape architects and planners, like Grosvenor Atterbury and John Nolen. They designed and planned more than forty ‘new’ company towns between 1910 and 1930. ‘New’ company towns were usually more varied than traditional company towns, with more different housing types, the application of inexpensive new construction materials as concrete and standardisation of the building process. As future residents also workers themselves were involved in the design and planning of the ‘new’ company towns. One example of a ‘new’ company town is Indian Hill at Worcester, Massachusetts designed by Grosvenor Atterbury for Norton Grinding Company (machine tools). This company was already in the vanguard of American welfare capitalism and employed 3.500 workers by 1915. Norton’s welfare work encompassed a hospital, factory safety, sanitation programs, worker dining rooms and cafeterias, paid vacations, pensions, recreational facilities, and a mutual benefit society. The new town was built for skilled and supervising employees. Influenced by existing New England company towns, colonial cottages and European garden cities, Atterbury designed a romantic and picturesque town in Dutch colonial style, including a town square with shops and with single-family houses with five to seven rooms⁷. France, the third country under examination, again, to some extent, is a special case in point. Although not the cradle of welfare work, France like Britain was an early performer of paternalistic welfare work in the 19th century. Exemplary in this country, particularly with respect to company housing was, as has been noted, the Mulhousian model or ‘solution Mulhousienne’ which included an almost exclusive choice for single-family houses with gardens instead of apartment housing built in company towns (cites ouvrières). At first sight the Mulhousian model doesn’t differ that much from the preference for cottages and single-family houses also existing in other

⁷ See about the American ‘new’ company towns Crawford, Margaret (1995). *Building the Workingmans’s Paradise. The Design of American Company Towns*. Verso: London.

countries. However France's industrial revolution was somewhat retarded by successive political upheaval as the French Revolution of 1789 and its aftermath. Therefore, compared to other industrializing countries, the transition of an agricultural society into an industrialising society had to take place in France in a relatively short timespan. As a consequence, a substantial part of the new industrial labour force had a farming background. So, by offering single-family houses with gardens, industrial work would become more attractive for former agricultural workers. Also in this way employers could better serve the well being of workers. By 1876 some 1.000 houses were realised. By 1895 this number had risen to 1.240 dwelling with 10.000 inhabitants. A second principal difference with most other industrializing countries was the rather early stage, the 1850's, in which the comprehensive Mulhousian model was developed. Moreover, involved was not one single entrepreneur, but a strong network of family-related social reform oriented Calvinistic textile entrepreneurs in the Mulhouse region. For example Dollfus, Koechlin, Schlumberger, and Zuber. This group, united in the *Société Industrielle de Mulhouse* not only introduced, sometimes-common welfare work in its companies, but promoted also industrial development, innovation, and public welfare in the Mulhouse region. Next to workman's housing, welfare work encompassed factory bakeries, cooperative shops, savings banks and regional pension savings banks for factory workers, mutual aid provisions, free medical services, libraries, a swimming pool, a gymnasium, a theatre, and last but not least a number of vocational training schools.

Also in France, textile entrepreneurs built many company towns in the North as well as coal mining societies and metallurgical industries. A striking example of the last is the Schneider Metal Works and Mining Company established at Le Creusot in the Burgundy region. In a relatively short period, from 1836 onward, the Schneider dynasty developed the most important metallurgical industry in France, comparable at a national scale to the Krupp works at Essen, Germany. From the onset welfare work played an important role in this enterprise. In this case not primarily by building company housing, but by offering various educational provisions and other welfare work programs. To make the company less vulnerable for external labour market influences, the Schneider Company developed its own school system ultimately encompassing primary, secondary, tertiary and vocational education. Company jobs were primarily offered to those who had taken part in the Schneider school system.

As regards housing, workers were stimulated to build and even design their own dwellings and Schneider offered financially attractive loans to enable this. Other welfare work in behalf of the so-called 'Creusotiens' workers family encompassed old age pensions, allowances for large families, a provident fund to support sick and injured workers and survivors, a hospital, a home for the aged, churches, sports facilities, cooperative stores, a company restaurant, etc. Welfare work at Schneider was extremely effective in the sense that, compared to other companies and industries in France, the Schneider Company remained almost immune for any labour conflict until the 1930s. Between 1880 and 1930 there broke out only one strike, in 1899.

(5) Neo-paternalistic welfare work: the German case

Although also Germany had a lot in common with the other three countries with respect to welfare work in the golden age of enlightened capitalism, it differed in one striking aspect with Britain, the United States and France. This was the intention of politicians, policy makers, industrialists, designers, architects and social scientists to base German industry on the concept of 'quality work'. Quality work encompassed important interrelated aspects of product quality, joy in work and the quality of work itself. To enable this, after 1900 an intensive collaboration developed between the new German Werkbund (DWB), consisting of prominent members of the various groups mentioned above and individual industrialists. At stake was the realization of what was called 'Deutsche Arbeit' (German Work)⁸. Of course also in Britain, the United States and France in a number of cases, sometimes renowned, architects were involved in the design of company housing and factory buildings, such as was for example the case with respect to the 'new' American company towns mentioned above. However, in no other country the involvement of architects, designers, politicians and employers was so intensively organized and so comprehensive as in Germany after 1900 until the rise of the national socialist dictatorship in the 1930s. The exponent of more traditional welfare work in Germany was in particular Krupp Steel Works at Essen in the Ruhr-Region. As in case of Schneider at Le Creusot, also

⁸ See in this respect the important work of British historian Joan Campbell: *Joy in Work, German Work* (1989). Princeton University Press: Princeton; and, *Der Deutsche Werkbund 1907-1934* (1989). DTV: München.

the Krupp's developed into a nationally important entrepreneurial family dynasty in a rather short timespan. It was Friedrich Krupp, son of founder of the firm Alfred Krupp, who decided to build worker colonies and worker settlement from the 1860s onward. Krupp was not the only German firm that constructed workman's housing but it is not an exaggeration to say that by the end of the 19th century the firm outpaced any other German company with respect to company housing, both in a quantitative and qualitative sense. By that time Krupp had become the nation-wide model-builder of company housing for at least coalmines, steel producers and some other companies⁹. Perhaps the apotheosis was the construction of Krupp's industrial garden village Margarethenhöhe in Essen, from 1906. Inspired by Cadbury's Bournville, Margarethenhöhe, designed by renowned Werkbund architect Metzendorf, became a romantic workers garden village with cottages in meandering tree-lined streets with a central square in the middle of it. The village had also a hotel, a big grocery shop, a post office, a church, etc. Although Margarethenhöhe was not exclusively built for Krupp workers, the village became Krupp's international welfare work showpiece in a very short time.

Likewise, Krupp's welfare work programs were much more extensive than only offering company housing for rent to his workers. It encompassed also secure employment, high wages, sickness and industrial accidents insurance, old age pensions, hospitals, a lending library, company shops ('Konsumanstalt'), social institutions and recreational facilities. Like the 'Creusotiens' the Krupp-workforce felt one big and privileged 'Kruppianer'-family.

With respect to the development of German work or quality work after the turn of the century Krupp was no longer in the vanguard of enterprises that paid a key role in the new neo-paternalistic welfare work in Germany. This role was reserved for other companies in the new industries, such as the manufacturing and chemical industries in new emerging urban and regional industrial centers. For example, in the Main-Rhine region of Ludwigshafen chemical giants as BASF and Bayer were going to play an important role in this respect, also in collaboration with Werkbund-members. In Berlin giant electro-technical corporations as AEG and Siemens became very

⁹ About 20 per cent of all 10.000 Krupp workers in 1914 and their families lived in Krupp worker colonies near Essen by 1914.

prominent at welfare work. Renowned architects as for example AEG's Peter Behrens designed new factory buildings and company housing. In case of company housing in Berlin and also in some other urban centers where the supply of workman's housing was scarce, third party building companies, often with the financial involvement of the principal company, overtook the prime responsibility of building workman's housing. Henceforth not a single-family house was the standard workman's home, but apartments in blocks. Siemensstadt, for example, the big company town near the site of the Berlin Siemens head office and factory buildings was designed by in-company architect Hans Hertlein and built in the 1920s by various independent building companies. Various renowned Werkbund architects as Walter Gropius, the later director of the famous arts school Bauhaus at Weimar, designed the different apartment houses. As we can see in these subsequent cases former romantic ideas about building single-family cottages were exchanged by functional ideas and the new objectivity style ('Neue Sachlichkeit'). The AEG-apartment blocks, designed by Peter Behrens, also offered functionally designed furniture and timesaving kitchen and household devices.

(6) Enlightened capitalism versus the new flex-capitalism: lessons to be learned
As has been noted, in all four countries enlightened capitalism came to an end during the years of the Great Depression in the 1930s. It only partly revived after World War II. Instead, from the 1950s onward, the welfare state took over the main basic elements of welfare work. Nowadays in most western industrialized countries, including the United States, Britain, France and Germany, a structural downsizing of welfare state capitalism is occurring with the risk of leaving significant voids in worker protection and worker security. Although today's flex-capitalism differs fundamentally from paternalistic capitalism of the past, the question rises if companies have to retake some of their past welfare work responsibilities, and if so, in what form? Could companies learn from past paternalistic welfare work of companies such as Cadbury, AEG, Siemens or the extraordinary group of Mulhousian textile companies? Would it be helpful, for example, to reintroduce renewed mutual aid funds at the company, sectorial or regional level with shared responsibilities of employers and workers? And, would it be helpful also to involve workers more directly in redesigning quality work, including product quality? It is tempting to answer these questions in a positive way. However, it is obvious that overly

paternalistic pitfalls of the past have to be avoided. What is needed, in sum, is a fundamental redesign of welfare work in a context of future rather austere welfare states. The result could be renewed hybrid comprehensive welfare work programs, mixing company responsibility, personal responsibility of individual workers and state responsibility. Its content must be based on a balanced combination of quality work, product quality, and work and income security. In this sense an important entrepreneurial challenge in the years to come is reinventing a new, future proof, avant-garde welfare work.