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[Review of the books *Managing the Human Factor: The Early Years of Human Resource Management in American Industry and Hired Hands* or *Human Resources? Case Studies of HRM Programs and Practices in Early American Industry*]

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[Review of the books *Managing the Human Factor: The Early Years of Human Resource Management in American Industry* and *Hired Hands or Human Resources? Case Studies of HRM Programs and Practices in Early American Industry*]

Abstract

[Excerpt] Bruce Kaufman has produced two volumes on the early development of human resource (HR) management that should become mainstays in undergraduate and graduate courses in the fields of HR studies and industrial relations. Not since Sandy Jacoby's pathbreaking book on the development of personnel management has such careful attention been paid to the inner workings of American corporations' personnel policies a century ago (*Employing Bureaucracy: Managers, Unions and the Transforming of Work in American Industry, 1900-1945*, 1985). Unlike Jacoby, who specifically analyzed how and why companies developed these policies in response to union movements and external pressures, Kaufman's purpose is to show that the roots of "modern" HR management can be traced to the late nineteenth and that "strategic" HR is not new.

Keywords

human resource studies, strategic human resource management, employee relations

Disciplines

Human Resources Management | Labor Relations | Strategic Management Policy

Comments

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discussion of the trade-off between equality and efficiency and between morals and market. And yet, this trade-off is only applicable if we accept the neoclassical model of efficiency in competitive markets as the only definition of efficiency. Arguments of sustainability, capability, and externalities imply that there are indeed other ways to think of efficiency. It is, after all, inefficient for society as a whole to bear the various social costs associated with paying low wages. The question not asked, however, and which may be the book's main weakness, is just why arguments of moral economy, or at least those strands of it emphasizing workers' disadvantaged position, lost out to arguments of market economy. As a consequence, living wage advocates have been forced to rely on arguments of fairness and justice, which neoclassical economics cannot accommodate because it is supposedly value neutral. This then begs the question of whether or not contemporary arguments for the living wage would be even stronger were advocates to present the canon of economic thought that has long supported it. Although Stabile engages the inefficiency of the moral economy, he fails to ask whether wage determination on the basis of competitive markets is really as efficient as the theoretical construct would have us believe. Despite these minor shortcomings, this is a fine addition to the history of economic thought and should be required reading for economists since it reminds us that economics was originally subsumed under the larger disciplinary umbrella of political economy and moral philosophy.

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Managing the Human Factor: The Early Years of Human Resource Management in American Industry. By Bruce E. Kaufman. Ithaca, NY: ILR Press (an imprint of Cornell University Press), 2008. 392 pp. ISBN 978-0-8014-4227-8, \$55.00 (cloth).

Hired Hands or Human Resources? Case Studies of HRM Programs and Practices in Early American Industry. By Bruce E. Kaufman. Ithaca, NY: ILR Press (an imprint of Cornell University Press), 2010. 280 pp. ISBN 978-0-8014-4830-0, \$55.00 (cloth).

Bruce Kaufman has produced two volumes on the early development of human resource (HR) management that should become mainstays

in undergraduate and graduate courses in the fields of HR studies and industrial relations. Not since Sandy Jacoby's pathbreaking book on the development of personnel management has such careful attention been paid to the inner workings of American corporations' personnel policies a century ago (*Employing Bureaucracy: Managers, Unions and the Transforming of Work in American Industry, 1900-1945*, 1985). Unlike Jacoby, who specifically analyzed how and why companies developed these policies in response to union movements and external pressures, Kaufman's purpose is to show that the roots of "modern" HR management can be traced to the late nineteenth century and that "strategic" HR is not new.

The first book under review, *Managing the Human Factor*, lays out the central argument and evidence, and the companion book, *Hired Hands or Human Resources?*, provides fifteen detailed case studies of the content and operation of HRM programs between 1880 and 1930. The case studies are particularly well suited for undergraduate and professional masters' courses. It is rare to find concise and accessible cases for teaching, and these are particularly useful for demonstrating the transformation of HR policies over the 50-year period. They cover companies in a range of industries, from the Chicago, Burlington and Quincy Railroad, U.S. Steel, and Ford Motor Company to The Great Eastern Coal Company, Top-Grade Oil, Mega-Watt Light and Power, and New Era Radio. Nine of the cases document examples of the "drive system" at the end of the nineteenth century to World War I whereas six describe the welfare capitalist HR practices of U.S. corporations in the 1920s.

Managing the Human Factor, which I focus on in this review, opens with a crisp argument that challenges conventional wisdom by dating strategic HR practices to the late nineteenth century. Personnel management at the time was not simply an administrative function, as it later became caricatured in the strategic HR literature. Kaufman provides a plethora of examples of corporate policies and "best practices" from the period that parallel those of today. He cites writers in the 1910s who were describing employees as "human resources" and top managers who used the terms "strategy" and "policy" to describe their approach to labor management and who viewed it as a source of competitive advantage. Early managers also embraced the idea that labor management should be aligned with business strategy, though the ideas were not formalized as "vertical" and "horizontal" fit as they are today.

Kaufman has made the narrative accessible by filling it with real people, company cases, and or-

ganization charts that provide concrete examples that are interesting and surprising and allow provocative comparisons between the “strategic” HRM of the early period and now. The narrative flows smoothly while the footnoted material provides scholarly depth and offers avenues for interested students to pursue.

In the second chapter, Kaufman provides a broad overview of the literature on personnel management and industrial relations (PIR)—both that which was written during the 50-year period he is studying and that which was written subsequently to interpret the period. He describes how and why PIR is the precursor of today’s practice of strategic HR management. The purpose of the author’s literature review is two-fold: first, to demonstrate that his historical re-interpretation differs substantially from how others have construed the past; and second, to show how those who have adopted normative positions of the HR, IR, and labor process perspectives have distorted or misinterpreted historical reality. The evidence linking HRM to its self-interested interpretations is more clearly drawn than that which links IR interpretations to its normative convictions.

Kaufman begins his historical narrative in Chapter 3 by reviewing “The Labor Problem” at the turn of the century, which consumed national debate and led companies to experiment with new approaches to tame labor. He details fourteen “events and ideas” that shaped the early development of PIR: the emergence of “the labor problem,” the systematic management movement, civil service reform, industrial welfare work, the industrial safety movement, Progressive era social reformers, trade unions and the open shop movement, government regulation and labor law, scientific management, vocational guidance, industrial psychology, employment management, industrial democracy, and World War I (p. 56).

Chapter 4 is a continuation of the story until 1920. By presenting this broad historical terrain of influences, Kaufman illustrates how the development of PIR was more complex and nuanced than has previously been recognized. For example, most twenty-first century HR practitioners and scholars would identify the field’s intellectual heritage in industrial psychology, yet few would also acknowledge the debt to early reform movements in civil service, industrial safety, vocational guidance, industrial democracy, or military personnel management.

One drawback to these chapters is that Kaufman treats each of these movements separately, with some exceptions, thereby missing opportunities to provide a more integrated story of how these

different movements interacted with each other to shape corporate strategies. Nonetheless, the individual sections are illuminating and correct the historical record. Conventional histories of HRM, for example, ignore the public sector, but Kaufman’s coverage of civil service reform following the Civil Service (Pendleton) Act of 1883 identifies the pioneering influence of the federal government in such areas as formal salary schedules, job analysis, pensions, just-cause dismissals, and union recognition. In 2010, the time of this writing, despite the importance of government employment, the field of HR does not consider public sector organizations to be part of its domain, and the field has produced almost no serious research on this topic.

Industrial safety provides a parallel story—a topic also ignored in prior historical accounts, as is health and safety in the current field of HR. The industrial safety movement integrated industrial engineering and the welfare movement, leading companies to transform how work was designed. Previously, accidents were viewed as the result of careless workers, not of efficiency-driving engineers. The welfare movement plus the advent of workmen’s compensation laws spurred the integration of safety into the definition of engineering efficiency, whereas personnel departments incorporated safety records into the job evaluations of managers.

Kaufman also goes beyond conventional accounts of Frederick Taylor’s scientific management by laying out his complete “HR system”—one that included careful selection and training of workers, task management, piece-rate compensation, a functional management system staffed by specialized professionals, and a planning department to lead ongoing innovation. This approach to scientific management dovetailed with the vocational guidance movement, which also focused on improving efficiency through better education and training of workers—or in twenty-first-century parlance, the better utilization of human resources (pp. 110–121).

By the 1920s, Kaufman argues, the modern HR management function had been institutionalized, first under the concept of “employment management” (p. 139), which incorporated the “mechanics” of Taylor and the “humanics” of the welfare movement, industrial psychologists, and social reformers, as illustrated in the stories of Ford Motor Company and the Joseph and Feiss Company. The labor problem was no longer defined as the threat of unions alone, but as the challenge of creating stable employment relations.

Soon thereafter, the terms “personnel management” and “industrial relations” came to dominate

the field (p. 183). Kaufman reviews the differences in these two views of labor management, which have continued to grow over time. The fields were informed, for example, by psychologists versus economists; they were oriented either toward management or toward employee relations; they focused on individual versus collective action; and they differed in their political and philosophical assumptions. Despite these differences, both terms were often used interchangeably, advocated a centralized approach to labor management, and conveyed a more strategic approach to the subject than prior formulations had done.

Kaufman's analysis of welfare capitalism in the 1920s iterates back and forth between what companies and practitioners were doing and what academics were writing. He also incorporates the views of visitors from abroad: the contrasts between European labor laws and institutions and the new American system highlight the unique features of the U.S. system, with its reliance on union suppression, union substitution, and employer voluntarism.

He identifies John R. Commons's book on *Industrial Goodwill* (1919) as a precursor of strategic HR and illustrates how companies chose different employment models that resembled Commons's three systems of employment (the commodity model of demand/supply, the machine model of scientific management (Ford Motor Company), and the goodwill model of employee involvement (IBM, Endicott Johnson, P&G). The spread of formal personnel and industrial relations departments in the 1920s was notable, with roughly one-third of large plants adopting HR practices by the end of the decade. Kaufman ends by chronicling company-level stories of the well known collapse of welfare capitalism by the early 1930s; most of the welfare capitalist firms were unionized in the 1930s.

Summarizing the argument and engaging the debate over what strategic HR means, Kaufman spends the final chapter providing ample evidence of the depth and breadth of its development in the 1920s; moreover, he discusses the variation in the "strategic" choices of firms and their cost/benefit assessment of investing in the workforce and assesses the range of internal and external factors that shaped management strategies. Management sought to replace conflict-ridden employment relations with cooperative ones—"win-win" relations in today's terminology—"albeit on management's terms" (p. 287). It included the need for "the square deal" (p. 289), the equivalent of today's HR concepts of procedural and distributive justice, which, Kaufman notes, have largely slipped from sight in the twenty-first century.

An important lesson readers may take away from this historical account is that the definition of HR was much broader at the turn of the twentieth century than it is one hundred years later. Early personnel management included a preoccupation not only with developing long-term employment relations (referred to today as attraction, retention, or talent management), but also with training and promotion systems, conflict management, industrial safety, engineering, and personnel management. Today, HR departments have no say in the design of technology or organization of work and how these affect the management of people or labor relations. They have increasingly outsourced selection, training, and HR benefits administration because these components are not viewed as having "strategic" value. Employees are responsible for their own training and development and career management.

Similarly, the field of HR has become preoccupied almost entirely with proving the "value proposition" that the HR function improves organizational and financial performance. Empirical studies focus on large corporations and on knowledge workers and managers. Studies of lower level workers, low wage workers, or unionized workplaces are rarely featured. Research on health and safety has been outsourced to industrial hygienists and work design is the domain of operations management, while health and pension systems—so central to the corporate concerns regarding rising labor costs—are left to economists. Issues of workplace conflict and conflict management are the domain of industrial relations. Thus, compared to its roots in personnel management and industrial relations of the early twentieth century, the field of strategic HR has retreated to a far narrower set of preoccupations. This retreat may eventually undermine the "strategic value" of the field, particularly in the era of a global economy in which multinational corporations face a complex set of labor-management challenges as they operate across radically different regulatory regimes in different countries where industrial relations systems remain quite robust. The fragmentation of the field of work and employment relations into separate domains of industrial psychology, HR, IR, personnel economics, and organization studies has diminished the power that the prior interdisciplinary field had, in terms of theoretical development and policy impact.

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