

Industrial Paternalism in the 19th Century

Old or New?

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The story of industrial paternalism typically is a tale of a declining managerial system finally getting its deathblow at the turn of the century 1900. The author questions this view by concluding that characteristic features of industrial paternalism actually are brand new in the final decades of the 19th century. A claiming of 'caring' for the welfare of the workers is generally a new thing, in most countries 'founded' around 1870, in England some twenty years earlier. It is argued that this shift in paternal management mainly is caused by the increased threat of workers turning socialists. The conclusions are reached through a detailed historical 'field study' on a large Danish industrial plant in the period 1850–1920, and by comparison with other studies of industrial paternalism.

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"Towards his workmen he was an extraordinary humane employer and he very early established a well organized sick-benefit association and old age provision fund for the workers. But he stood on the old paternalist standpoint and wanted both in large and small-scale production, the employer to be the father and master of the workers. With trade unionism he never learned to sympathize."¹

This obituary extract is about one of the greatest entrepreneurs in Danish industrial history – C.C. Burmeister, one of the founders of the world-wide shipyard and engine works *Burmeister & Wain Ltd.* At the same time the extract represents a generally acknowledged view on the development in relations between employer and workers from the early days of capitalism until the turn of the century 1900. The term *paternalism* is normally regarded the most appropriate to characterize the managerial system up to the early years of this century. The turn of the century, then, marks a general turn over of this system. In almost every Western industrialized country paternalism is finally replaced by what could be termed a *formalized* system of relations – regulated by workers'

unions and employers' organisations. Apart from temporal variations in this turn over – large enterprises in big cities seem to be most fully and fastest caught by development – only few will complain of this as a general feature all over Western Europe and in the United States.

However, in this article I will question this evolutionary scheme at a principal and fundamental point: The matter is seriously misunderstood if paternalism is seen as an old system steadily declining throughout the nineteenth century and finally getting its deathblow at the turn of the century. The kind of paternalism referred to in the obituary above is in fact not old at all; on the contrary, it has been in existence for only a few decades. Its predecessor in the early decades of industrial capitalism was a paternalism differing in kind. How and in what sense this is the case I will deal with in further detail in the following. I both aim to call attention to what I see as a fundamental *distinction* between different kinds of paternalism in the period prior to the introduction of formalized relations at the turn of the century and to *explain* these ruptures in managerial development throughout the nineteenth century.²

I will continue by putting special attention to

one specific Danish enterprise; however, this one example, I argue, has a history not differing in principle from other industrial plants as regards the relations between employer and employees. I will render this probable by making references to other investigations of the issue as well. However, by looking especially at one entity, one stable empirical core of investigation, it becomes possible to specify in which respect the normal way of seeing a shift from paternalist to formalist relation between employer and employee holds true and in which this view leaves us with a misleading understanding of the development.

To make it clear, certainly there is a general turn over around 1900, but the large amount of statements that sees this as the finishing off of a continuous decline of paternalism, having its roots in an old feudal context, is a discursive construction, as misleading as it is generally taken for granted.

When choosing to make a detailed study of one single enterprise I take a different path than usual in labour and industrial history. I do not agree that a broadly defined study where examples are taken from a large variety of industrial communities gives more insight into the issues under concern. By working with a general, and hence diffuse, empirical field, research is made dependent on a limited amount of the source material – first of all due to the necessity to use only printed material (such as debate literature, newspapers, etc.). This material is important, and necessary, but it is biased to a very large extent both ideologically and discursively. The widespread dependency on this kind of material moreover means that there are almost no investigations of social relations within industrial plants before the rise of a discourse on this issue – in Denmark (and in many both Scandinavian and continental countries) not really before 1870, in England several decades earlier. By investigating in detail the development at one enterprise, also prior to the rise of a labour discourse, there is a chance to see how a certain economical organism – the company concerned – changes in its internal social structure due to altering exterior conditions and discursive climates. What is interesting, however, is that the source materi-

al very much changes with the conjunctures of discourse. Hence, there is almost no printed material focusing on industrial relations before (in Denmark) 1870, although large scale production – for instance at *Burmeister & Wain* – has been going on for a quarter of a century before this watershed. By looking specifically at one enterprise, then, it is made possible to use all kinds of material, including the files from the factory itself (giving insights into salary patterns and development, workshop organisation, etc.). Hereby the way is paved for a historical reconstruction of daily life and industrial relations both before and after the public interest in these matters has arisen. A side effect of this approach, incidentally, is the possibility of judging the often very ideologically characterized statements in the contemporary papers, periodicals, etc., because these statements can now be related to a reconstruction based upon sources separated from the discourse.

Before going into details with the example of *Burmeister & Wain*, however, I will look at some of the origins of the widespread view of paternalism as a continuously declining matter leading to a final replacement by formalized relations between employers and workers.

The Consensus of a Waning Paternalism

First, it will be appropriate to put forward the different arguments for – and statements on – industrial paternalism as a social system declining throughout the second half of the nineteenth century. Two contemporary observers can be the first to put words to this perception:

“The bourgeoisie, wherever it has got the upper hand, has put an end to all feudal, patriarchal, idyllic relations. It has pitilessly torn asunder the motley feudal ties that bound man to his ‘natural superiors’, and has left remaining no other nexus between man and man than naked self-interest, than callous ‘cash payment’”.

(Karl Marx and Friedrich Engels in *The Communist Manifesto* (1848))

The way Marx and Engels characterize the issue here is generally accepted. There may be

objections to the romanticizing of the former situation at the expense of the latter; there may be other temporal situations in other countries – in most continental and Scandinavian countries the turn of the century 1900 is often pointed to as the turning years. However, the basic view that employer/employee relations develop from a paternalistically based system to a formalised system is widespread – whatever the judgement of the development or the concrete period of change.

Before questioning this view there may be reason to specify what is meant by paternalism. The concept *industrial paternalism* by no means is used unambiguously. It is seen partly as a system of non-anonymous personal relations between master and man, partly as a system where wage is paid in kind (housing, foods) rather than in cash and finally as a system with a certain degree of caring for the workers on the part of the paternalist. These different contents not necessarily exclude one another, but it is certainly important to distinguish between them.

Through the personal content of the relations is pointed to the widespread tendency of identifying nineteenth century enterprises with single persons, the factory owners themselves. If this part of paternalism is weighted, the end of paternalism will occur when personally owned production entities are altered to joint stock companies. However, as I have touched upon in an earlier article (Nielsen 1994) there is no necessary abolishing of personalized relations in connection with a change in ownership – this would also make it very hard to explain twentieth century companies characterized by personalized leadership.

The question of extra-economical payment also has a tendency to be seen too mechanically as a sign of paternalism. Production on capitalistic terms requires some basic components to be continuously reproducible. One of these is a sufficient (in both number and skill) labour force. Along with raw materials, machinery and management, capitalistic production is defined (in a Marxian sense) by its need for buying labourers who earn their living as wage-earners, that is, by selling their time for a certain wage. A large amount of factories, from the

second half of the 18th century on, are placed in rural surroundings – due to the need for space, (water)power to run the machines, low land expenses – with no existent housing facilities, no food supplies, etc.³ These circumstances makes it natural – and even necessary in many instances – for managers of capitalistic enterprises to see to all these reproductive arrangements which are vital to ensure that the workers show up day after day. Hereby is a social system, established somehow parallel, at least in an outer sense, to the manorial community system of feudalism. These conditions all in all pave the way for small and large ‘*factory communities*’ throughout the entire industrialized world. This situation, however, where wage is paid in housing, food, etc. (as well as in cash) does *not* in itself imply any carefulness on the part of the paternalist.⁴

A Declining Paternalism?

The question of treatment of the labour force in a somehow careful way, what I will choose to term a *welfare paternalism*, approaches the issue from another perspective. Obviously a personalized leadership as well as extra-economical payment can be realized in both harsh and careful ways. By the term careful I refer to a reasonable living standard (culturally relative of course), special arrangements for workers and not least security in the period after working life, that is when a labourer is no more directly beneficial for the enterprise.

Involving this perspective, however, makes clouds rise on the horizon, because suddenly there seems to be some problems with the evolutionary chronology. Investigations from different parts of the industrialized world points – as will be shown below – actually to an *enforced* if not *new* kind of paternalism occurring in the last decades of the nineteenth century. Admittedly, also many researchers find material that apparently confirms to the general view of paternalism declining gradually from a distant past. However, I will claim that this is due to their concept of investigation: the fact that they presuppose an evolutionary model makes them satisfied with investigations focused on the turn of the century 1900 where

material is rich and there are several proofs (like the extract opening this article) of paternalist ideas getting their final stab. Because of the widespread 'decline-of-paternalism' model there are only few investigations to put forward for an alternative view. Here I will concentrate on two.

Patrick Joyce talks explicitly of a *new* paternalism in investigating "the social system to which factory production gave rise in the North", more specifically Lancashire in mid-nineteenth century with its rich amount of – especially – textile mills. First, this study makes it obvious that paternalism is not related solely to rural surroundings where several forms of payment along with cash are paid to the workers. Joyce investigates settings in one of the largest city communities in the world at this time: Manchester. The fact, for instance, that housing here is not normally part of the workers' relation to their workplace, does not come into the way of exercising paternalism, the city makes up a »collectivity of factory neighbourhoods« that relates the single worker to a specific mill and mill owner (Joyce 1980:153). And second, as mentioned, he sees a new paternalism *rising* after mid-century. There is a profound rise in paternalistic initiatives in the 1860s: "works dinners and treats, trips to the countryside and the employer's, libraries, reading rooms, canteens, baths, lectures, gymnasia, burial societies and the like were to become the rule rather than the exception among the big employers". The period from 1850 to 1875 he simply calls »the 'golden age' of paternal, dynastic European capitalism« (Joyce 1980:136). Joyce himself sees this as contrasting the traditional view as it is expressed for instance in Robert's *Paternalism in Early Victorian England* where paternalism is seen to have played out its role (in England) around 1850 (in total harmony with the view in the *Communist Manifesto*).

When it comes to explaining this rise Joyce becomes less clear. The 'new paternalism' is explained by the still more liberalistically oriented society. He puts forward the remarkable point that employer benefits are enforced, not *in spite* of, but *because* of the spreading of liberalism. From the worker's perspective there is a longing for security ("an escape from the

wilderness of the industrial town"), and the employer at the same time tries to establish a feeling of shared interests ("an attempt at the restitution of the community of the classes") following the decades of conflicts with especially the chartist movement in the 1830s and 1840s.

From another industrial setting the same conclusion of enforced paternalism is reached in Thommy Svensson's investigation of Swedish factory communities in the second half of the nineteenth century. He understands paternalism primarily as a means to get the sufficient labour force.⁶ He distinguishes between two different conditions for the spreading of paternalism: It will be found in the countryside where the factory owner needs to build a 'society' parallel to the establishing of a production unit. Here the workers' reproduction in general must be taken care of. This form he calls *rural paternalism (landsbygdspaternalism)*. Secondly, paternalism will be found in the cities, at enterprises with a need for categories of special workers of whom there is a scarcity. Hence this paternalist form is, according to Svensson, seen primarily in the skill demanding branches – shipyards, engineering works, etc. This form is called *urban paternalism (stadspaternalism)*. Svensson hereby adds to the wellknown need for building a 'society' in the countryside to ensure the sufficient labour force a similar need in the city where the right workers are hard to get. In both cases paternalism is seen as founded in needs *internal* in production. Svensson, like Joyce, sees a rise in paternalism through the last decades of the nineteenth century. Furthermore his explanation of this lies close to the one Joyce has put forward: the juridical liberalisation in the 1850s and 1860s means that laws with roots in agrarian society that formerly has been used to closely connect workers to the factory (here a rurally located textile plant) are disappearing and new means to hold on to the labour force are called for.

However, Svensson's explanation gives no clue to the example of Joyce. The Manchester textile mills are certainly not demanding highly skilled labourers to a very large amount. Here it is obviously not the problem of getting hold of skilled workers, nor the lack of housing

facilities, food supplies, etc. that makes factory owners practise a welfare paternalism.

Hence, history – empirical data – shows that the logic of industrial paternalism is neither a demand to hold on to skilled workers in the cities nor that it serves as a builder of societies in the countryside.

To be able to localize what might be a more adequate understanding of the logic of paternalism I need to use my own study of a Danish – but typical – industrial plant. I reach a conclusion differing from Joyce and Svensson, although not in relation to the rise – instead of decline – of paternalism, but when it comes to the explaining of this rise.

A Danish Engineering Factory and Shipyard

Since paternalist relations between employers and employees contrast a system of regulation through trade unions and employers' organisations – what I here choose to call a *formalized* system – my interest in paternalism initially made me search back in time to a period prior to the beginning of unionization. In Denmark, as mentioned above, the first unions were established in 1871 – related in the beginning to the founding of a Danish section of the International – though it is not until 1899 that a real formalized system of employer/labour regulation is established with state recognition.

By looking at managerial 'strategies' before the establishment of trade unions I expected to find paternalism in its 'purest' form. Trade unions finally gave paternalism its deathblow at the turn of the century and it was only reasonable to expect to find an 'unspoiled' paternalism prior to 1871. However, I should be very surprised. The kind of paternalism I knew from previous investigations (Nielsen 1993 and 1994) – on factory communities in the decades around 1900 – was nowhere to find. I simply found no paternalism, at least not in the 'caring' form that became widespread after 1871 and which around the century was referred to as a very old managerial form with deep roots in history.

In the following I shall make a short description and analysis of the kind of paternalism

characterizing managerial behaviour in the period prior to the breakthrough of unionization – in the period up till approximately 1870.

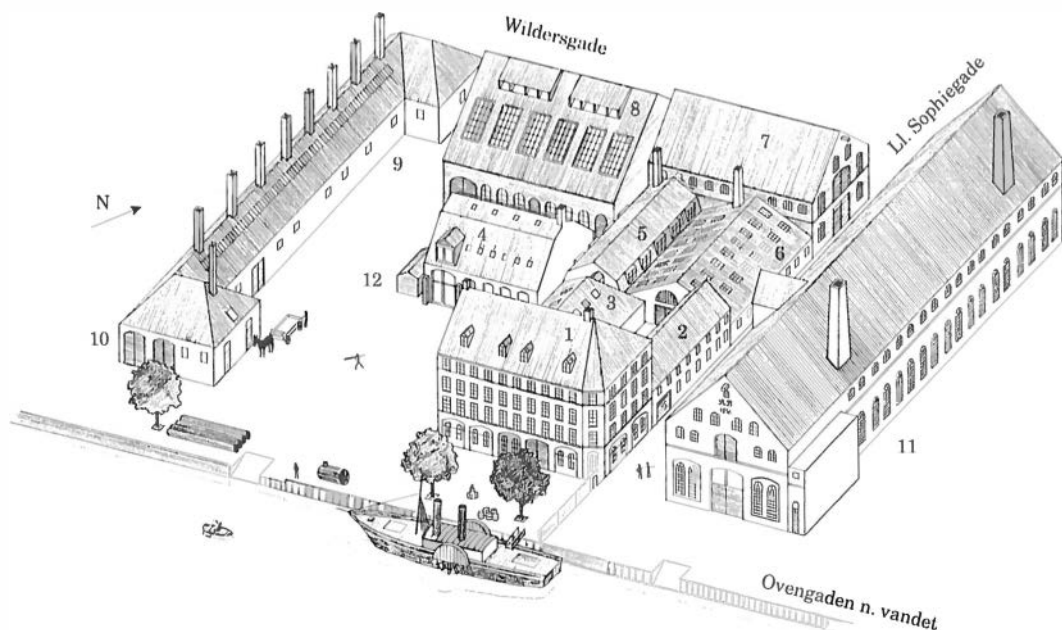
The Setting

In 1846 a Danish engineering factory was established. It soon expanded and already in the 1850s became Denmark's largest industrial plant. In this period it was called *Baumgarten & Burmeister's Establishment* referring to the two owners. The enterprise developed continuously and has, also through most of the twentieth century, been known as one of Denmark's largest – since 1872 as the limited company *Burmeister & Wain machine and shipbuilding* (with Wain as manager since 1865). Besides, the firm has been known throughout most of the world since 1912, after building the world's first ocean going motor ship *Selandia*, which came to symbolize the end of steam technology.

To get some kind of fundamental continuity in the analysis of this single enterprise through the period from 1850 to 1920 I have regarded it necessary to establish a detailed understanding of both the concrete physical setting and the internal organizing of production involving especially labour processes, work routines and managerial structures on all levels.

On the sketch on page 64 the engine plant is seen in 1861 – at this time approximately 400 people are engaged, among these one third at the shipyard (not on the picture). Production consists of machine goods in general, especially steam engines and boilers to the Danish market, but also larger building components such as bridges, mill works, etc. Marketing material and journals from production bear witness to a large variety of goods. The structure of the labour force reflects this production profile. It consists of workers in all branches of metals. Blacksmiths, smiths specialized in building of boilers (and among these riveters, who of course also are present at the shipyard), turners, copper smiths, etc. and, in connection with the foundry, moulders and pattern makers. Along with this complex of skilled functions a proportion of approximately one fourth unskilled workmen are engaged.

Present right in the front of the plant are the



Baumgarten & Burmeister's works, ca 1861. 1: Machine shops in the two lower floors. Residence in the third and fourth floor. Baumgarten and Burmeister occupy the two flats on the third floor. Rooms for servants on the top floor. 2: Drawing offices, ordinary offices in the upper floors, stables and bogs. 3–4: Machine shops. 5–8: Foundry. 9: Forge. 10: Workshop for coppersmiths. 11: Boiler workshop. Machine shop at the first floor. Workshops for pattern makers at the top floor. 12: Bogs, room for fourteen men.

Drawing made on the basis of contemporary insurance papers, construction files, engravings and paintings. From Nielsen 1998.

apartments of the two managers Burmeister and Baumgarten. On top of the two-floor turner workshop they share the third floor, which is divided in two apartments each, containing one of the managers with his family and servants.

This could look like a typical factory community although the workers are not housed in company apartments. Being located in the centre of the capital of Denmark there is no need for company housing – and it might be added that it is more than difficult to get sufficient space for production itself.

But what about the content of managerial practice? Are there any traces of paternalism for instance? To answer this question, first of all, we need to consider managerial functions in general, hereby making it possible to distinguish what may be termed paternalistic characteristics. It can be argued that capitalist management consists of two basic demands: management of capital (strategies of investment in general, more specifically decisions of opera-

tions in production such as buying of labour, raw materials, machinery, etc.) and technical management (concrete planning of production and management of work) (Cutler *et al.* 1977:308ff).

Baumgarten and Burmeister solely make the decisions related to the use of capital (this is changed when the limited company is established in 1872) and their involvement in the production even goes far beyond that. Letters from the archives of the firm testify that they have been very much engaged even in concrete tasks in the workshops. Both having a technical education along with their national as well as international managerial experience (through longer stays on the continent and in Great Britain) combined with the complexity of production makes this involvement natural. Along with this the organizational structure of the factory is characterized by a complex hierarchy of leading functions, from the leaders of the workshops – the masters – to different, still

more subordinate leading functions, also among the 'workers'. This complexity of responsibility and leadership by the way has parallels in a surprisingly complex and differentiated wage pattern. It seems almost as if no two workers receive the same wage.⁶

Although many single persons are involved in management – on very different levels – it must be concluded that the two owners are very apparent at the workplace. However, instead of seeing this as an expression of paternalism, this seems primarily to be a practical arrangement, determined by the need to keep production running as smoothly as possible. I see the residence of the owners in the middle of the plant as very much based on the same reason. It is a practical arrangement taking into consideration both their daily involvement in production as well as the scarcity of available apartments nearby. Moreover, it can be added that this solution of the residence of the owners is a cheap one. This factory starts out only as a small workshop and thrift has been urgent in the beginning (another expression of this is the fact that lodgers have occupied the fourth floor in the early period).

Along with personalized relations the existence of extra-economical kinds of payment, as mentioned (and criticized) earlier, is often seen as an expression of paternalism, although they simply might be an outcome of, for instance, a rural setting. At *Baumgarten & Burmeister* only a health insurance fund shows some features of such a practice, in what way I will return to later. What is very important, however, is that the managerial style which becomes so widespread after 1870, namely the kind of paternalism which claims to be caring, and claims to be taking into consideration the well-being of the workers, etc., is *not* apparent – at least not until well into the 1860s. There is simply almost no trace of what I earlier termed a *welfare paternalism*.

This does not mean that a kind of special 'treatment' for some labourers is totally absent. As already mentioned, wage differences are huge – some workers simply are treated better than others. This, however, must be seen in the light of the necessity of using special means to connect those workers appearing only with scar-

city on the labour market to the firm (turners and moulders are the best paid in this early phase) combined with the different demands to leadership and responsibility on the workshop floor. Some skills are simply hard to achieve in this period where the Danish engineering industry is only in its very initial phase. Acknowledgements for *some* workers in this respect, I would certainly hesitate to call paternalism (compare the above critique of Svensson); these special efforts in favour of the workers are clearly conditioned by demands *inside* production itself combined with the actual contemporary conjuncture on the labour market. What lacks completely in management relations and attitudes towards the workers is a claiming of any sort of parental care. And this is important – because this is exactly what at the turn of the century is claimed to be a managerial practice with deep historical roots.

Summing up, instead of finding this kind of paternalism in a pure and unspoiled form, long before the first socialist unions, I just found a capitalistic enterprise working, unaware of anything but itself as a large economic organism to which several initiatives on behalf of the workers come naturally with the aim of keeping production running. Instead of an entity with employers acting as socially aware heads of a large household, I only found an economic entity; this was not welfare paternalism.

The Absence of a Cultural Concept of Workers

What is the reason for the absence of this kind of paternalism? Well, to be a paternalist caring for your workmen there are two requirements. First, there have to be a concept of a 'worker'. Second, there need to be some kind of motivation to be careful – extending what is sufficient to keep this workman in production.

As to the first condition there is seemingly some concept of 'worker' present in Denmark from mid-century. The European year of revolutions – 1848 – starts a Danish debate on the labour question in which the main theme is the conditions of the poor. In this debate terms like 'worker', 'working classes', etc. appears for the first time in Denmark. However, these terms do

not refer to any socialist content, they simply point to the risk of getting too large a proportion of labouring poor. And by the term 'workers', it turns out, there is not necessarily a reference to wage workers – i.e. people who could be expected to live a whole life as such. Instead reference is primarily to journeymen within the guilds and therefore only living as 'workers' for a limited period.⁷

At the same time it becomes obvious that the Danish situation as regards poverty is not at all very alarming. Wages are rising – Denmark is succeeding in the war against Germany 1848 to 1850 – and there seem to be no risk of rebellious uprisings like the one in Paris, which started the whole debate. All in all, the discursive climate throughout the 1850s regarding workers in manual labour contains no concept of a potential (socialist) oppositional attitude from the workers' side. Consequently, the second condition for a careful paternalism is not fulfilled: there is no motivation regarding the factory owners to be especially careful – their contributions to the workers go as far as is necessary to hold on to the different groups of labourers required to keep production running.

This discursive climate alters only little through the 1860s, though a more severe poverty – not least in Copenhagen – and the final abolishing of the guild system in 1862 makes the worrying for working people in general more apparent in the debate. An incipient fear of what might be the outcome of the spread of poverty is seen in glimpses in the debate, but there is still no discursive dichotomy between potentially socialist workers and employers. Not until Denmark's first big strike – at *Burmeister & Wain*, by the way – in 1871 and the establishing of a Danish section of The International almost at the same time, a potentially socialist worker, and working class, with an explicit aim of overturning society and taking over means of production (and therefore a threat to employers' existence as such) appears in discourse. From that time on terms like 'worker' and 'working class' means the threat of socialism. The outcome of this for the typical managerial conduct, I will return to.

Let me first exemplify my point, that managerial ways of treating the labour force in the

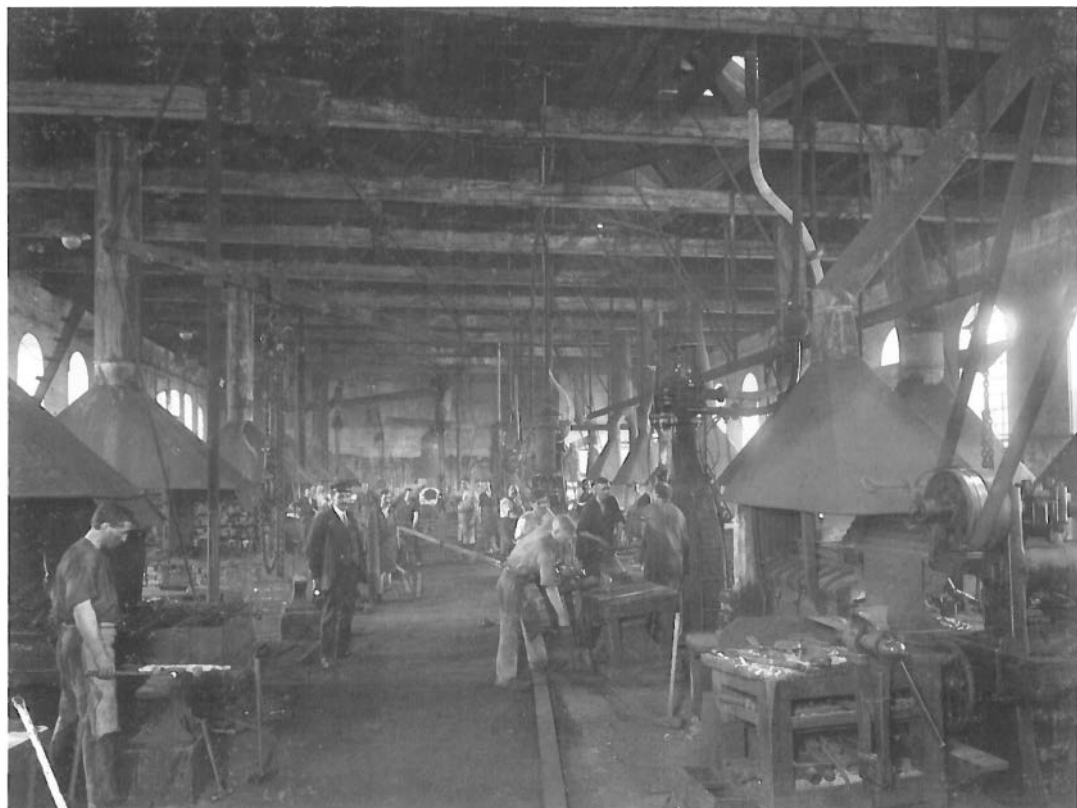
1850s and 1860s differ in kind from what is performed later on. I will look specifically at two cases: celebrations at the enterprise and the way of organizing health insurance.

Before 1870 – Factory Balls and Health Insurance

For management there is good reason for initiatives which create a kind of team spirit related to the factory. On this background it is not surprising that Baumgarten (later Wain) and Burmeister have chosen regularly to give festivities through the 1850s and 1860s. A large production unit is under creation and steady expansion, and celebrations are effective means of keeping hold on the indispensable labour force – which even for a large part is characterized by a high skill level.

We know about the celebrations through a sample of 28 songs – from 1851 to 1870 – that have been used on these occasions. The 'factory balls', as they are called, seem to have been held at least once a year, and moreover in connection with the finishing of new important buildings – as for instance in 1851 when the four-storeyed combined workshop and residential property (housing, among others, the two chiefs) is consecrated. The songs give an impression of how the relationship between the employers and employees is, and not least how it is regarded important to be represented by management (though the songs are unsigned there is no doubt they are in agreement with the two heads of production). The songs have a bluff, jolly tone as is typical for contemporary artisan songs.

What is interesting about the songs in this twenty-year period is that they do not accentuate the importance of the two chiefs. There is no familial rhetoric presenting the two employers as heads of a big family in the way it becomes typical later on in the nineteenth century (though earlier in England, see Nielsen 1994). What the songs are praising is *the enterprise* as such. Most of them are about the products of the undertaking, occasionally touching upon work in the different departments and not least the different trades in these, hereby emphasising how everyone – though not the unskilled (easily available) workmen – contributes to the success



For management to be efficient it has to be exercised at all levels. This does not necessarily imply a simple top-down relationship. Workers have a large variety of interests within the different production units and hence also the role of the salaried staff in the workshops are ambivalent: Of course, the master – here facing the photographer – is the counterpart of the workers, representing the top managers; on the other hand, he is important in keeping the borderlines between different work functions, thereby ensuring specific workers' access to particular areas of production. Forge on Burmeister & Wain 1919.

of the enterprise. The last phrase in a song from 1851 is an example of this:

Then! We will look for the most stoutly among us
 But this will demand some fine eyes
 Then what about refraining from picking out
 And just shout Hurrah!
 And comprise in this
the whole works!

No head of production gets a particular appraisal. Rather it is the productive unit – which everyone benefits from – that the song pays homage to.

In a later song from 1856 actually a familial rhetoric is put forward, but not in a paternalist

sense. The circumstances are the consecration of a new huge workshop for engine building (no. 11 at the sketch). In the song the building is termed 'Mother', the workers are termed 'Fathers' (fertilizing the building), and the products, the engines, are their common 'Children'. The absence of an emphasising of parental care in the songs from this period is, I will argue, in fine agreement with the lack of a discursive figure of employers as exploiting workers, who consequently in their turn risk to become socialists.

Only a slight alteration can be traced in the songs in the late 1860s, where the heads of production – now Burmeister and Wain – are mentioned as persons and praised in thankfulness in the songs. In one song the familial

symbolism from the 1856 song is repeated, yet now it is the two chiefs who are called the fathers of the products of the enterprise («the Machines, fertilized by the genius of two Men, are steadily giving birth to new Machinery»). This example only marks a little – but nevertheless significant – indication of a shift in orientation towards an image of careful paternalism. Though not yet urgent, it has become important to point to the contribution from management towards the workers, who for their part are expected to be thankful.

The same is the case with another example from this early phase prior to the breakthrough of socialistically based trade unions: Health insurance is often seen as an indication of paternalism, being something going beyond a simple cash nexus. However, I will seriously question this interpretation. As a manager you need to have some kind of accountability with regard to the work force. This need calls for some kind of insurance and security. No manager will have an interest in risking that his workers just by catching a common illness, meets with a total social deroute, maybe ending up in pauperism. Hence, there is good reason for seeing to some kind of health insurance available for the workers. This simply must be seen as a condition for withholding a stable workforce – a way of ensuring that the workers return from their illness if not the next day, then the next week.

In the case of *Baumgarten & Burmeister* actually the workers themselves have organized a health insurance fund at least as early as 1855. However, this fund is completely unknown (only knowable through unpublished records). The health insurance system at the enterprise, which is publicly exposed, and moreover plays a significant part in the history of the enterprise, is a fund established in 1863 and introduced as a completely new invention. Yet, by analyzing the files from the company archive it becomes clear that this 'new' fund just continues in the tracks of the former fund – having the same level of covering in case of illness. What is new about it, however, is that the enterprise pays the medical costs. Otherwise it just takes on where the old fund left. What is remarkable here, is that this fund is praised as an expres-

sion of paternal care (somehow related to the dissolving of the guilds in 1862) in spite of the fact that it just continues the practice of an institution which has been playing a similar role for almost ten years within the workers' own framework.

The appraisal of the (reorganized) health insurance is a first sign of the effect on capitalist management from an awakening discourse of pauperism for the majority of the population and the worrying where this might lead. But this managerial effort is not yet to be seen as an answer to a worker-employer dichotomy – rather it seem like an initiative, demanding only limited costs, suited to satisfy the worrying authorities of the state (partly, presumably, linked also to the fact that the Danish marine is one of the big customers of the enterprise).

The slightly altered role played by the enterprise in connection with factory balls and health insurance, I see as indicators of a rising necessity from the part of the managers to take into consideration pressure *external* to the production entity itself. The early efforts to suit the workers (or rather some of the workers), such as high salary and celebrations, are production *internal* answers to the need of a steady and sufficient labour force. The altered orientation in the 1860s seems to be nourished by an incipient outer pressure demanding that employers act with responsibility and pay attention to the labouring poor. This marks the birth of another kind of paternalism than the one that just implies personal involvement in production or the existence of extra-economical payment.

After 1871: The Reinforcement of Paternal Care or the Birth of Welfare Paternalism

The year 1871 is a milestone in Danish history. As mentioned, this year sees the first major industrial strike, and moreover the establishing of a Danish section of the International parallel to the founding of the first socialist newspaper.

This is certainly no isolated Danish development. Throughout Europe – with France as the most significant example – and the United States similar incidents and phenomena occur

in these years. The temporal context may vary – England faces similar changes already in the 1830s and, being prior to every other country, diverges because no precedents can be referred to – but the change of context is very much similar. From a situation with no emphasizing of antagonism between employers and workers – where workers' associations, if any, will be engaged only in limiting workers *reproductive* costs (such as sickness insurance funds, wholesale societies, etc.) – the contrasting interests among the two fundamental categories of capitalist production become the main discursive turningpoint. What becomes clear for every employer is that a workman risks to alter into a *socialist* worker, and that is a potential threat to management of production itself. If the socialist unions get their way, they not only want influence on management – by having a say on wage level, length of the work day, etc. – but ultimately (at least in their programs) to take over the means of production.

Now, these considerable changes, in which reference to an employer necessarily implies a potential socialist worker as the discursive counterpart, mark a new era in the history of industrial relations. But what does this do to managerial practice? Does it remove the personal content of the relationship from above towards the workers – in the way that Marx and Engels suggest? Does it remove the little tendency to show parental care towards the workers?

By turning again to the case of *Burmeister & Wain* – while I will still argue that this case study holds true on a general level – I shall show that it is rather the other way round. The introduction of a discursive worker – employer antagonism not only reinforces paternalism, it marks the birth of a new kind of paternalism. From now on the essence of paternalism is the claim of being caring and solicitous – a claim either implicitly or explicitly aimed to attack the accusation of employer ruthlessness, recklessness and exploitation. All in an effort to avoid the breakthrough of socialistically based unionization.

By the end of 1871 *Burmeister & Wain* – as any other Danish capitalist undertaking – is not only seen as a large production unit but, in

addition, as a potential centre of conflict. Management is forced to account for this. The altered situation is expressed all over. Most clearly in the newspapers of the time which all need to account for the new issues. Moreover the establishment of a Danish socialist newspaper leads to a necessary commitment to the labour question for the whole range of older newspapers as well.

The new situation is also reflected in the records of *Burmeister & Wain Ltd.* Where the several hundreds of workers have been almost anonymous in the quarter of a century prior to 1871 – only showing off in wage lists – they now appear as persons in the records of the enterprise. Most clearly this is appearing in the letter copies of many personal recommendations, aimed at other employers, made for workers – suddenly it has become important to underline a specific worker's "devotion to duty", "manageability" and other characteristics. Workers have become personalities, and need to be accounted for as such by management.

In the following I will primarily exemplify the new paternalism with the founding of an old age fund at *Burmeister & Wain*. Though old age provision can seem parallel to health insurance – being a means of improving reproduction standard of the labourers – it differs in kind. In contrast to health insurance it is aimed at workers at a period in their life where they play no role in production any more – it is not primarily aimed at keeping the workers fit in the ongoing production⁸. Hence old age provision is a suitable criteria in tracing a new kind of paternalism.

In 1875 the old age fund at *Burmeister & Wain* is founded. The firm underlines that the fund involves no contributions from the workers, only the firm itself is the donor. The expression in the first paragraph of the articles of the fund is significant: "The aim of the provision fund, is to ensure the working staff at the joint stock company a secure old age provision without any contribution from the staff itself". This is clearly an initiative presented as being solely for the benefit of the workers. However, importantly (though not surprisingly), it is not only exposed internally. Far from it. The establishing of the fund is made known for a much wider

audience. For instance through the annual general meeting at the joint-stock company from which some of the big newspapers regularly report. In 1875 the newspaper reports are considerably longer than usual due to a plump description of the old age provision at the enterprise – a typical reflection of the huge focus on worker issues in the 1870s.

My argument here is that the introduction of old age provision is to be understood as natural – almost necessary – in a discursive climate where still more attention is put to the doings of the heads of capitalist firms. This interpretation seems to be corroborated in the following citation from the general meeting of the firm in 1885. It is the chairman of the board of directors in *Burmeister & Wain* who is quoted for the following expression: “the company is in all respects providing for its workers and their bereaved, and [he] mentioned the considerable amounts of money yearly spent on widows’ pension and costs for medical care in addition to the annual contribution to the old age fund, leading to the conclusion that the company did more than its duty”. The concluding remarks are important – the company contributes with more than could be expected (“did more than its duty”). This is an implicit reference to the view – spreading in contemporary debate – that capitalist enterprises only see workers as a component of production and normally show no consideration beyond this. The old age fund is not related to the active and profitable part of the work force,⁹ it includes everybody, not only the many skilled workers but everyone from white collar workers to simple, unskilled workmen. In other words, the image of the old age provision is that it is not determined by demands internal to production, it is urged by an honest solicitude for the workers.

I argue that this development towards a ‘welfare’ paternalism of which the establishing of an old age fund is a part, is forced by the potential unionization of workers on a socialist basis – parallel to these welfare initiatives, as is well known, managers in general in this period are fighting the foundation of unions with all available means. One of several means is dismissal of workers having anything to do with the unions. In this respect old age provision

attempts to make workers choose a close, life-long relationship with their company instead of joining horizontally with other workers.

However, the managerial initiatives address still another part, namely the public opinion and more specifically the politicians. In these decades there is considerable focus on industrial relations and the conditions provided for the poor part of the population. Especially the question of subvention of wage-earners when they reach their non-profitable age is important from a state perspective. Managers running their company without any consideration of these questions risk a general reinforcement of factory regulation – they simply need to show off their feeling of responsibility towards their workforce.¹⁰ Hence not only *Burmeister & Wain* but a considerable part of the large enterprises in Denmark (Nørregaard 1945:95) and throughout Europe introduces old age provision in the 1870s and 1880s.

Especially remarkable about the founding of old age provision funds is that they get an image as a personal matter between workers and paternalists. On *Burmeister & Wain* for instance special treatment – in addition to the standard taxes according to seniority – can be offered by personal application to Burmeister who hereafter decides if he will meet the request. On the other hand we talk about an absolutely general feature here – hence it certainly seems pointless to look for the background of these institutions in the personality of the different company heads. That the basic reason for the establishment of a ‘paternalist’ institution such as an old age fund is *not* personal characteristics of individual managers is exemplified in detail in the case of *Burmeister & Wain*: Only three years after the introduction of the old age fund in 1875, the fund meets a considerable opposition from the part of the workers since they see the fund as a hindrance to a rising of wages.

This criticism is understandable but it is the subsequent occurrence among the managers of the enterprise that I will throw into relief here. The workers’ wish is discussed on the regular meeting with both the board of directors and the two managing directors (*Burmeister and Wain*). The directors, that is the paternalists

themselves, hold the view to simply *dissolve* the old age provision fund – after all several disadvantages have turned out to be related to the fund, such as the obligations also towards the relatively large proportion of the work force being only at the enterprise for a short while (not least at the shipyard where production is very unstable). At this point of the meeting, however, the board of the company forces through a continuation of the fund – apparently because of the important role it plays as to the image of the enterprise. What is remarkable is that this essentially paternalist institution (an old age provision fund) does not survive by virtue of single persons – the paternalists – but because it seems necessary for the managing of the firm. This is fundamentally in contrast to a common sense parallel between joint-stock companies and the end of paternalism – on the contrary, here we see the modern, rational, farsighted, joint-stock based capitalism consolidating a truly paternalist institution. This emphasises once more that this kind of paternalism – the socially aware, welfare paternalism – is neither a relic from earlier times nor dependent on certain personal characteristics. It is a managerial feature fed by the threat of unionization and a public or state based pressure to show consideration towards the workforce.

Neither is it satisfactory to explain this development by referring to a spread of liberalism as both Joyce and Svensson do. Liberalism itself bears no pressure to take welfare initiatives though it can be argued that some of the outcomes of liberalism indirectly contribute in creating this pressure on managers: The social disintegration, for instance in the wake of the dissolution of the guilds, subsequently leads to a deeply felt need for workers to stick together in an effort to ensure reasonable reproduction conditions. In Denmark – and on *Burmeister & Wain* – a considerable fall in real wages prior to 1870 paves the way for the labour risings in the 1870s. The former reproductive worker associations such as wholesale societies – in the 1850s and 1860s – were characterized by having no relation to the labour market being primarily aimed at keeping working people's costs down. These associations turn out to be insufficient,

and it becomes obvious that efforts to get some influence also on work and wage conditions are necessary. Only with these additional explanations liberalism can be said to pave the way for the new paternalism after (in Denmark) 1871.

If the story of *Burmeister & Wain* was exceptional there would be no reason in sharing it with others. However, the story of this welfare paternalism – in which the old age provision fund plays a significant role – is parallel to the situation generally in the industrialized world in the last decades of the nineteenth century.¹¹ Unfortunately this conclusion must be based on the work of only a few researchers such as Joyce and Svensson. As mentioned, researchers normally contend themselves with looking at the decades around 1900 as a historical starting point and then extra-polate to the period prior to this, where source material is much harder to get at. When for instance the Swedish historian Magnusson – *rightly* – interpret the existence of an old age provision fund (at the large engineering works he is investigating) as a paternalist institution, he just – *wrongly* – draws the conclusion (due to the common scheme of a declining paternalism) that the fund origins in a far past. He writes: “there is bearings of a social ‘welfare’ program of this kind from very early on – there is proof of parts of it as early as the 1870s, but there is no reason to doubt that it is much older than this” (Magnusson 1986:52). On the contrary, in my opinion there is every reason to doubt the existence of this kind of ‘welfare’ paternalism – exemplified for instance by an old age provision fund – as a general feature prior to the threat of labour organisation in socialist unions. The whole point is that this kind of paternalism – as a general widespread feature – is nourished by the fact that workers are experiencing a political awakening and thereby becoming a potential threat to company managing. As is obvious from analysing the circumstances in the last decades of the century the welfare paternalism goes hand in hand with considerable efforts to hinder unionization of the workers. On *Burmeister & Wain* for instance – but with parallels everywhere else – the paternalist welfare contributions are dependent on loyalty towards the company, which in this period means to stand back from any temp-

tations to join the union. Every kind of union work is exposed to immediate punishment – most frequently dismissal. Concludingly, to put it very simple, this welfare paternalism is not surviving in *spite* of, but created and developed *because* of unionization.

The End of Paternalism around 1900

The dissolution of unformalized paternalistically based relations between workers and employers in favour of a formalized system of regulation around the turn of the century is a wellknown story (in Denmark more clear-cut than in other countries with the general agreement 1899 between workers' unions and employers' organisations as the basic component) and I will only make a few comments on this here. Finally, towards the end of the century paternalism as an alternative to horizontally based workers' unions comes under such severe fire that it takes to much too maintain the system. There are two important managerial concerns to bear in mind here.

Firstly, paternalism in its welfare form turns out to be less rational in the eyes of managers, than initially expected. The necessary consideration not only for the important part of the labour force but also for less indispensable workers is inconvenient and expensive. However, this price is paid for several decades and the final accept of ending paternalistically based relations is only understood in the light of the second issue.

Secondly, and in particular, the managerial fear of unionization of the workers, which really is severe in Denmark through the 1870s and 1880s, turns out to be unfounded. Unionization does not mean social dissolution, nor does it lead to a situation where workers are taking over the means of production or anything of the kind. On the contrary, trade unions implies stability, a labour force committed to agreements – and all in all, unionization means a consolidation of capitalistically based organisation of production and labour market. On *Burmeister & Wain*, for instance, management actually in 1898 *requests* all of its now 2 000 workers to join the union – to ensure stability and calmness between the periods of collective

bargaining! A considerable change of strategy in the light of the preceding decades where the unions have been fought with all means. And, importantly, this alteration is not caused by the death of Burmeister – the last of the old managing directors – as indicated in the obituary notice quoted initially. But from now on rational management navigates under new circumstances in a formalized industrial system, just as a welfare paternalism was regarded the modern, rational, way of managing for the joint-stock company only a few decades earlier.

In Conclusion: Phases of Relations between Employers and Workers

I have tried above to show the inconsistencies in a common sense view of paternalist management as something stemming from feudal or guild circumstances just surviving as a kind of relic through the early years of industrial capitalism. Paternalism understood in general, as the absence of a formalized labour market of course is apparent until – in most countries – the years around 1900. However, it is a great mistake from this fact to conclude that the preceding period is one of a continuing decline of one sole kind of paternalism. My conclusion points are, in certain respects, in exactly the opposite direction. One characteristic feature related to paternalistic management – namely the paying of attention (and not least an outwardly announced one) to the welfare of the employees – is generally a *new* thing, in most countries 'founded' around 1870, in England some twenty years earlier. The argument is as follows: No payments from management to employees except wage (whether this is in the form of housing or the like are not relevant here) are necessary in a capitalistic context – separating this in principle from an juridical based feudal paternalism from which it gets its rhetoric. Hence benefits to the workers, *extending* what is necessary internally to production, are not generally known before 1870. Hereafter, then, there are no limitations in managers' claiming of social awareness extending widely what basically are their 'duty' – one clear expression of this is the establishment of old age funding (promoted as non-profitable welfare) on a large number of big

enterprises in this period. I see two main explanations for this founding of a new paternalism: Firstly, the threat of socialism makes it necessary to prevent workers from turning against management by showing good will and sensibility to demands from the workers. Secondly, in relation to this, similar managerial efforts are necessary as an answer to the state subject which, more or less expressed, makes it clear for heads of big firms that their freedom as managers depends on their ability of demonstrating social awareness.

On this background I characterize three management 'systems' which need to be carefully separated (their presence in time is only estimated): Firstly, '*enterprise internal paternalism*' – up till 1870 (in England up till 1850) – referring to the situation where the only considerations from management are related to the internal functioning of the enterprise: this can result in (not considering personal characteristics of the paternalist himself) harsh management exploiting workers as much as possible, as well as beneficial management to attract specific groups of workers, etc. Secondly, '*welfare paternalism*' – up till 1900 – characterized by the necessity discussed above of showing carefulness as a prevention against socialism and state interference. And finally, '*formalized management*' – from 1900 – characterized by labour regulations being organized through trade unions and employers' organisations with equal representation from the two sides (and of course, this last form goes through considerable alteration during the twentieth century, but that is another story).

Summing up, the period prior to 1900, rather than being a period of gradual alteration, is marked by severe developmental ruptures, implying kinds of paternalism so differently based that they necessarily must be separated from each other.

Notes

1. Extract from an obituary notice in the newspaper *Politiken* 13.12.1898.
2. The question of paternalism is a major theme in my Ph.D.-dissertation (Nielsen 1998) – made on a three-year grant from The Danish Research

Council for the Humanities. The dissertation has a summary in English. For a brief presentation of the conclusions, see Nielsen 2000.

3. For a more detailed outlining of this argument, see Nielsen 1994.
4. As a fourth reason for paternalism Lars Magnusson (Magnusson 1987) sees it as a means to ensure control towards the labour force. However, as I see it, control is a general managing demand for capitalistically organized enterprises as such (while the workers' earnings are not directly connected to their doings through the day of work) – the interesting thing is to explain why control take a paternalistic form.
5. As a parallel to my argument about 'control' above (note 4) one could claim here that managers always have the problem of ensuring presence of the necessary labourers – what must be explained is why this need seeks its solution through paternalism.
6. In my Ph.D.-dissertation from 1998 (as well as in Nielsen 1997 and 2000) the question of homogeneity in (logically necessary) *co-existence* with heterogeneity in 'workers' culture' play a significant part – differentiation (in wages for instance) seems to be much more widespread than normally expected, through the early years of industrialism as well as later on. In the dissertation I both show this empirically and try to explain it theoretically. However, there is not room for an outlining of the arguments here.
7. In spite of the fact that only a small proportion of Danish workingmen actually were connected to guilds – nearly none of *Baumgarten & Burmeisters* workers, for instance – and only a very small part of the guild organized could expect to end up as masters. In the debate, to a certain degree, reference is made to pauperism in rural districts (due to a severe rise in population), but in general this is not related to the urban situation.
8. I here chose not to put weight to the fact that old age provision can have a disciplinary effect also in the working years).
9. At least not in the way it is promoted. Actually it has disciplinary effect upon the younger workers as well for the simple reason that their right to provision on a later date is dependent on an appropriate working life in the firm.
10. Interesting in this connection is how the firm can underline its social responsibility on the yearly annual meeting by expressing how it provides for the necessities for life not only for the more than one thousand workers but for their wives and children too, summing up to a number of more than 4,000.
11. Rather, I will argue, what is exceptions through the history of industrial relations, are the known examples of welfaristic paternalism early in the 19th century. Robert Owen's factory community *New Lanark* in Southern Scotland is the best

known of these examples. However, the famousness of Owen is a result of the very fact that he, being a welfaristic paternalist, is an *exceptional* manager. This being in complete contrast to the situation in the late 19th century when welfare paternalism has become the rule.

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