

# Welfare Capitalism: A European and Comparative Perspective

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IT SHOULD ALWAYS GIVE SATISFACTION to see consistency in a scholarly research career. Jacoby's *Modern Manors* is an impressive sequel to his earlier *Employing Bureaucracy*. It is a sequel in that it brings the story of the earlier book more up-to-date by coming into the post-1945 period and it stands in the same tradition as a work that combines business and labor history with contemporary management and industrial relations issues and insights.

This contribution to the symposium will start with the undoubted achievements of the volume. It would, however, be faint praise of such an important work if there were to be no disagreement or contention around the central thesis. In particular, this contribution will highlight some European and comparative perspectives on the development of welfare capitalism. It will then touch on unfinished business in terms of aspects of the story that might have been covered or which should be the subject of further research.

## A Comprehensive and Integrative Perspective

There are two sets of major strengths and contributions that make *Modern Manors* a comprehensive and integrated perspective on the history of American labor management in the twentieth century. The first are substantive; the second are more methodologic.

Substantively, from a historiographic point of view, the book breaks new ground in that it tells the story of the management of labor in the

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trans-Second World War period and into the 1960s and 1970s, with some forward perspectives on the present day. Labor history has steadily moved away from a focus on trade unions and collective bargaining to a wider set of concerns, not least to a much-needed interest in management. Along with a handful of other scholars, such as Nelson, Harris, Licht, Brody, and Lichtenstein, the work of Jacoby has been a leading exemplar in this respect in the United States. Business history, for its part, has been somewhat less interested in the employment and industrial relations side of the modern business enterprise. Jacoby's strength is that he straddles both labor and business history. In addition, he ventures further into the post-1945 period than most other historians have hitherto attempted. This is necessitated by his desire to show the continuity of welfare capitalism, through the Great Depression and the Second World War, into the postwar years, and up to the present date. In this respect, he tells a comprehensive and convincing story.

From the point of view of contemporary industrial relations and allied scholarship, Jacoby puts the development of the collective-bargaining system and the nonunion system in the United States into a comprehensive context. This gives historical depth to research in industrial relations, labor economics, and human resources management. In industrial relations, over the decades, the tendency was for academics to neglect nonunion firms as aberrant and socially retrograde. Jacoby's account locates such companies firmly in the mainstream of American employer-employee relations and points up some of the industrially progressive characteristics of this sector. Where industrial relations scholars have focused seriously on the nonunion system, as in Kochan, Katz, and McKersie's (1986) admirable volume, the history often has been somewhat stylized and sketchy and has tended to downplay the long-term strength of welfare capitalism. In labor economics, Jacoby puts economists' "stories" into a historical context that questions some of their working presumptions. For example, Jacoby cites the fine volume by Freeman and Medoff, (1984), who argue that a median voter model of collective action explains the preference of unions for seniority and that this explains fundamental differences with the nonunion sector. By contrast, Jacoby shows that historically unions did not favor seniority and that it was really only from the 1930s onward that industrial unions adopted the seniority and layoff-rehire system from nonunion firms that already used it (pp. 253–254). In human resources management, for this reader at least, Jacoby shows continuities through from welfare capitalism to human relations to modern human resources management practices. He also shows that the management of human

resources has long been viewed strategically by certain large firms and that the growth over the last quarter century of so-called strategic HRM is therefore a dubious concept. Somewhat curiously, however, Jacoby himself does not dwell much on HRM as a phenomenon. It is to be hoped that the sound historical insights of *Modern Manors* will percolate into academic industrial relations, labor economics, and human resources management. However, it must be admitted that the unfortunate divergence of history, economics, and management approaches has probably now gone too far to be brought back together.

Methodologically, the book skillfully weaves together different materials and perspectives. It thus integrates historical material on businesses, unions, ideas, and politics and does so by drawing on modern institutional, economic, and behavioral concepts. The book makes extensive use of archive material, mainly for the three company case study chapters. It combines this material with other contemporaneous primary sources such as government reports and business publications. Jacoby is also skillful at combining this with academic studies that have now become historical sources in themselves (Commons, Slichter, Healy, and Livernash, Chamberlain, Lester, etc.). Inevitably, as the work comes more up-to-date, the archive sources tend to dry up, and the secondary sources and interviews take over. For the most part, however, the dividing line between the primary and secondary sources is pretty seamless. It is also good to see statistics woven into the narrative, without interrupting the flow or being elevated to some privileged epistemologic position. In sum, Jacoby draws judiciously on modern concepts and theory to inform his analysis, though, as a good historian, he does not let this prevent him from setting straight the historical facts.

### Empirical and Theoretical Problems

So much for the very real strengths of the volume. It is not surprising that there should be disagreements with a wide-ranging and ambitious work such as this. There are a number of disagreements and criticisms that might be raised.

First, there is at times a tendency to exaggerate the inevitability and success of welfare capitalism. In this respect, as early as the 1920s, Jacoby informs us that "Thus, despite its shortcomings—coverage was limited and benefits meager—welfare capitalism came to be seen as America's future" (p. 20). As the narrative unfolds, at times he betrays a sneaking admiration for a system which, according to him, has proved to be more flexible, productive, and generous to employees than the union

alternative. Thus we are told that "With modern welfare capitalism, the emphasis shifted from control to consent; this was a kinder, gentler sort of paternalism" (p. 5). Later, we hear that the union sector and the welfare capitalist sector boiled down to two classic organizational types, "the mechanistic and the organic" (p. 236). It is true that he does throughout modify such statements by referring to the harsher and more problematic side of welfare capitalism. However, for at least a quarter century from the mid-1930s onward, the leading role and inevitable success of welfare capitalism was neither as clear nor assured, as might at some time be suggested.

Second, there is something of a tendency to regard companies as homogeneous entities pursuing a largely uniform set of strategies and policies. Exceptions to this are differences between the film and camera plants of Kodak, the mail order and retail stores of Sears, and the older northern and newer southern plants of a number of firms. In practice, however, the period from the end of the First World War onward was one during which American firms were diversifying into new product areas. Indeed, in various places, Jacoby touches on this and on the related spread of the multi-divisional company. It would have been interesting to have had more consideration of how firms, such as DuPont and Procter & Gamble, with variegated systems (nonunion, company union, and union) in different sectors managed diversified and divisionalized operations. The Sears chapter is the most useful in this respect, and a significant part of the answer concerns how firms developed and controlled their managerial cadres. However, in a study focusing primarily on production workers, the management of managers is inevitably only briefly covered.

Third, and perhaps somewhat unfairly given that this is a study of business, there could have been more coverage of the attitudes and informal behavior of workers. Jacoby does go "beyond the manor" into the world of politics and public opinion but does not go too deeply into the views and behavior of serfs, peasants, and freemen (if, indeed, there were any of the latter) within the manor. Of course, this is an area that is more difficult to research through primary historical sources. Nevertheless, one thinks of the earlier literature on informal behavior in the workplace in both union and nonunion settings, e.g., Kuhn, Whyte, Roy, Sayles, and Dalton. As the narrative develops, especially from the 1960s onward, changes in worker attitudes and behavior, e.g., the growth of a better-educated work force with new aspirations and behavior patterns, become an important part of Jacoby's analysis and explanation of the success of welfare capitalism. However, the empirical evidence for such changes in attitudes and behavior could be stronger.

Fourth, the book mainly focuses on what I see as two of the three aspects of labor management, namely, employment relations (arrangements such as governing recruitment, job tenure, and the reward of workers) and industrial relations (representational arrangements such as company unions, joint consultation, and collective bargaining) (Gospel, 1992). As a result, the story hinges fundamentally on union versus non-union regulation of employment relations. There is much less on what I see as the third aspect of labor management, namely, work relations (the division of labor, the way work is organized, and the deployment of workers around technologies and production processes)—the sphere of production that constitutes the material foundations of employment relations and industrial relations. Hence the development of mass production, assembly-line techniques, and continuous-process production, of what some would call Fordism and Taylorism, gets little mention. It is true that there are references to technological change, to more recent shifts away from mass production, and to the development of team working in the latter part of the story. However, this is not explored with any consistency. The tradition of writers such as Braverman (1974), Noble (1977), and Burawoy (1979) may have placed too much emphasis on the labor process, but it now seems to be disappearing altogether or to be relegated again to behavioral-type research on job redesign. The ideal (or perhaps counsel of perfection?) in studying labor management should be to integrate employment, industrial, and work relations.

Fifth, and this is a criticism of Jacoby not so much as a historian but as a social scientist, the book does not move toward a theoretical perspective on the management of labor. Of course, it may be that Jacoby is just too cautious a historian to stray into the messy world of social science theorizing. However, as already stated, he does draw eclectically on social science concepts and presents sets of facilitating factors that may have shaped the growth of welfare capitalism (e.g., pages 26–31 and 46–50). Before the presentation of the case studies, he does indeed refer to them as permitting him to make “modest generalizations about outcomes” (p. 56). In an early article, Jacoby set out an explanation of labor management and internal labor markets in Japan that relied very much on a basically economic or economist’s explanation of institutional growth (Jacoby, 1979). Here, in this book, we have a more nuanced explanation in terms of the interplay between economic forces, institutions, and ideas. But there is no attempt in the conclusion to systematize or generalize into theory. Perhaps we see in this book the difficulty, within the modern academic manorial system, of serving two masters, history and social science.

## European and Other Comparative Perspectives

This leads to a final point of criticism. In *Modern Manors* there is a tendency in places to subscribe to a certain “American exceptionalism.” Thus we are told that although welfare capitalism could be found elsewhere in the industrialized world, “it was especially popular in the United States. . . . Welfare capitalism was a good fit for a distinctive American environment composed of large firms, weak unions, and small government. . . .” It was a “distinctive American approach: private, not governmental, managerial, not laborist” (p. 4). Indeed, it was “an American alternative” (p. 13) that suited well with a peculiarly strong belief in “individualism and free enterprise” on the part of American employers (p. 12) and that led to it being “more pervasive in the United States than elsewhere” (p. 14). The fact is that welfare capitalism per se was not uniquely American. Indeed, elsewhere in his writings, Jacoby has been critical of American exceptionalism in industrial relations (1991) and has shown the growth of welfare capitalism elsewhere (1979).

Many features of welfare capitalism that Jacoby describes developed in other countries also in the first part of the twentieth century. In Germany, firms such as Carl Zeiss, Krupp, Siemens, Bosch, BASF, Bayer, and Hoechst were developing a modern kind of bureaucratic paternalism based on internal labor markets. In France, large firms in steel, utilities, chemicals, automobile parts, and retailing were developing their own systems based on high wages, profit-sharing, extensive benefits, and internal representation systems. In Japan, from the late nineteenth century onward, there was developing a particular thorough-going form of corporate paternalism, at first covering managerial, white-collar, and core skilled labor but later extending to cover wider groups within the enterprise. Only the sheer size and number of large American corporations made welfare capitalism seem more prevalent.

Along with this, Jacoby tends to exaggerate the strength of unions in Europe before the Second World War and the preparedness of employers to recognize. Thus he writes that “No industrial country was as successful as the United States in suppressing organized labor” (p. 13). Writing of the 1920s, he says, “American employers did not go the European route—containing worker radicalism by recognizing national unions—but they did engage in their own kind of buyout: guild manorialism was preempted in favor of a top-down, non-union version” (p. 25). But this is to ignore the history of a country such as Germany, where big business strongly opposed unions before the First World War and only very reluctantly recognized thereafter for a short period that came to an end even before the Nazi takeover when employers willingly acquiesced in the total



destruction of organized labor. It also neglects the story of Italy, where also union recognition was extremely limited before the Second World War. The same would apply to Japan, where throughout the interwar years large firms strongly opposed union recognition. Even in the case of liberal France, large employers steadfastly refused to recognize, except for a brief period between 1936 and 1938 under the Popular Front government. In terms of recognition by employers before the Second World War, the United States was not exceptional among major industrial countries. Of the leading industrial states, the country that was exceptional in this respect was probably Great Britain, although even here qualifications would need to be made. Pluralism had not therefore taken deep roots in Europe. Even during its heyday, in the decades after the Second World War, it was perhaps only skin deep in France. In Japan, recognition came after the Second World War, but this coincided also with a massive employer counteroffensive, and it could be argued that the acceptance of pluralistic industrial relations also was only superficial. It is true that in Europe significant counteroffensives came later than in the United States, e.g., in France in the 1970s and 1980s (Howell, 1992); in Britain the counteroffensive came from 1979 onward under the Thatcher administration. In this respect, Germany may be more of an exception, since arguably an employer counteroffensive has not yet occurred in that country, where in the post-1945 period there has coexisted a strong welfare state, widespread welfare capitalism, and strong unions.

Having said this, there are certain peculiarities of the American story. One was certainly the sheer inventiveness and size of welfare capitalism in the United States from an early date. This has continued up to the present date with the spread to many parts of Europe of HRM as both an ideologic construction and a set of practices. Another more important difference was the combination in the United States of a particular set of factors: strong welfare capitalism in certain sectors but not in others, low union coverage overall but with pockets of high union strength in some firms and an alternative bilateral form of welfare capitalism, and a state which, in the postwar period, provided minimal welfare provision along with a set of labor laws that closely regulated industrial relations.

## Unfinished Business

Finally, and inevitably, *Modern Manors* leaves some areas insufficiently covered and whets the appetite for further research. Of course, it must immediately be conceded that criticism of this kind is rather unfair, for Jacoby largely accomplishes his self-assigned task. The unfinished

business and areas for further research are as follows: First, the book deals primarily with the management of blue-collar workers, although the Sears case brings in sales staff, and there are brief references throughout to the management of managers and foremen. There is, therefore, scope for further, more integrated research on the management of managers, white-collar workers, and professional staff. Second, the book deals exclusively with the large firm sector. The story of medium-sized and smaller firms is, of course, more difficult to research, since materials either do not exist or are more dispersed. In the smaller firm sector, there was undoubtedly a spread from the good to the bad to the down-right ugly. "Good" firms were those medium-sized and smaller employers that had aspects of older-style paternalism or newer-style bureaucratic paternalism, or they were firms that had union contracts, often of a multiemployer kind, in parts of industries such as construction, printing, and trucking. The "bad" firms were those that provided low pay, minimal benefits, insecure jobs, and little redress of grievances. The "ugly" firms were those that also were strategically nasty with it. Writing about the small and medium-sized firm sector as a whole, Jacoby concedes, "Today, instead of shrinking, this job market is growing ever larger" (p. 262). Third, the book deals exclusively with the private sector. Of course, some of the strongest modern manors in most countries have arisen in the public sector. There is therefore scope for a Jacoby-style study of the federal and state sectors. The final gap brings us back to comparative and international perspectives on labor management. At one point, in the Kodak case study, Jacoby briefly touches on that company's activities in Britain (p. 86). Of course, American companies have long been multinational in nature, and for most large firms, labor strategies have long been not just national but also international in orientation. How companies have developed their multinational labor management arrangements is an important topic that students of contemporary industrial relations and human resources management have started to tackle. It would be an excellent area for more historical research but also a difficult and expensive one to access, given once again the dispersed nature of sources. In addition, as already suggested, comparative research on the historical development of welfare capitalism would be most illuminating.

The preceding critical remarks are not to gainsay *Modern Manors* as a major achievement and a significant contribution to a number of fields. It is an impressive work of scholarship that raises pressing contemporary questions, given the decline of organized labor, pressures on welfare states, and new questionmarks over welfare capitalism's own future.



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