Paternalism and Corporate Welfarism in Large-Scale Enterprise: The Norton Company Experience

Charles Cheape
Loyola College

The consolidation and rationalization of large-scale industrial enterprise in the United States during the twentieth century required new labor relations policies and procedures in order to promote more efficient operation. The techniques needed to handle a workforce numbering in the thousands are usually linked to the rise of scientific management and corporate welfarism in the late nineteenth and early twentieth centuries [3; 4; 22; 25]. Efforts by Frederick W. Taylor, Frederick Halsey, and others to speed up and coordinate flows of production, to reduce costs, and to improve quality focused not only on new technology and plant design but also on worker efficiency — that is, the arrangement of workplace, the standardization of job routines, and the creation of incentives to induce laborers to accept a more rigorous factory discipline. The movement was paralleled by corporate welfarism that sought to create a more dependable, productive employee by emphasizing job satisfaction and positive work attitudes and by offering workers a variety of activities, including education, housing, pension plans, athletics and health, and life insurance. Hundreds of enterprises adopted some facets of scientific management and corporate welfarism as the movements flowered between 1900 and 1930.

The focus on twentieth century origins makes the process curiously ahistorical. Although historians have pointed to nineteenth century railroads as sources of management innovation, they have generally argued that new organizations required new techniques and structures. A leading historian of factory management has demonstrated the diffuse origins of corporate welfarism and its differences from scientific management but has indicated that welfarism was closely linked to textile firms and to enterprises employing women in the late nineteenth and early twentieth centuries. A second authority has pointed out that welfare capitalism was "as old as American industry itself," but he generalized that the early focus was on worker housing and concludes that the nineteenth century "constitutes the calm before the surge of modern welfare capitalism" [26, pp. 1-6; 3, pp. 10-12].

That emphasis has obscured the thrust of a growing body of literature studying the initial application of factory discipline in early and mid nineteenth-century industrial communities. Older accounts of New England firms and more recent community studies demonstrate that early manufacturers preached and promulgated their beliefs in a paternalistic effort to establish industrial community, habits and discipline within their new workforces [9; 11; 13; 14; 16; 24]. In Lynn, Massachusetts, for example, growing manufacturing activity had by the 1820s led factory owners to encourage more stringent application of old values. Established in 1826, the Society in Lynn for the Promotion of Industry, Frugality, and Temperance campaigned vigorously for temperance, poor-law and educational reforms, and emphasized self-discipline, productive labor, and the elimination of idleness and waste. Similar efforts were implemented by the Whitins of Whitinsville, Massachusetts, the Fairbanks of St. Johnsbury, Vermont, and Reed and Barton of Taunton, Massachusetts, among many others.

Paternalism in these cases implies a relationship that went beyond a simple exchange of wages for work. Owners were to care for workers, providing where necessary housing, schooling, religion, and training. In exchange, workers made the radical jump from family farm and small handicraft production to factory. They were to labor as hard for others as they previously had for themselves and were to keep proprietary processes and novel machine alterations secret. Thus loyalty and diligence were exchanged for security and care. The uncertainty of the business cycle and nineteenth century enterprise, however, left the exchange one-sided, favoring the owners. To reinforce the bond, plant owners and the leaders of manufacturing communities supported reform movements that sought to inculcate appropriate industrial values and discipline.

There is obvious disparity between paternalistic discipline in small-scale, mid-nineteenth century manufacturing shops and the oversight of thousands in multi-unit operations three quarters of a century later. Nevertheless, both cases involved the management of people and depended fundamentally on human relationships, permitting a test for continuity of labor practices between enterprises widely separated in time and scale. The experience of the Norton Company illustrates persuasively that such links did exist and indicates the patterns of their persistence, none of which are linked to textile companies or the advent of women workers.

Norton Company provides an excellent test for continuity because it lacked the most obvious connections.[1] The company was not founded in either the time or the place of early industrial paternalism. Norton was established as a new firm in 1885, and its products — man-made grinding wheels and other abrasive shapes — were new to American industry in the 1870s and 1880s. Its workforce was composed mostly of recent Swedish immigrants instead of native New Englanders or older immigrant groups. Its Worcester, Massachusetts, setting was not a mill village but a full-fledged industrial city of almost 85,000 by 1890.

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[1]The material on Norton Company results from research for my forthcoming book, <u>Family Firm to Modern Multinational: Norton Company, a New England Enterprise</u>, to be published by Harvard University Press in 1985. Most of the records are located in the Norton Company archives in Worchester, Massachusetts, and in the Mildred Tymeson papers at Worcester Polytechnic Institute, Worcester, Massachusetts.

Yet Worcester did reflect the persistence of Jacksonian industrial culture, which was in turn absorbed by the new Norton Company. Dozens of small, owner-operated enterprises — heirs to the early industrial community's paternal creed and established in such industries as metal working, metal fabrication, and machine building — dominated Worcester manufacturing in the late nineteenth and early twentieth centuries. Mechanics Hall, opened in 1857 to educate artisans and inculcate the appropriate values of discipline and industry by lecture and reading, was a civic landmark to the paternal creed. Worcester Polytechnic Institute, founded by leading manufacturers in the 1860s to train industrial labor in skills and attitudes, included among its charter faculty Norton's president, Milton Higgins, and its treasurer, George Alden. Higgins, an ardent supporter of vocational education, headed the school's Washburn Shops where students learned by actual manufacture of machinery as commercial products [27].

In such a setting, the new company not unnaturally assimilated the values and traditions established a half century earlier in New England industrial villages. Six of its seven founders were New England Yankees, steeped in the owner-manager heritage that successful operation and control of enterprise required the values of prudence, thrift, and diligence. The seventh founder, a Swedish immigrant and upwardly mobile potter named John Jeppson, held similar values. The mix of opportunity, talents, and shared values promoted rapid success; by 1900 Norton was the abrasive industry's largest and most prosperous firm.

A key element of growth in a labor-intensive industry where secret bond formulas and the special skills of mixing, burning, and grading wheels were essential to success was a paternalistic labor policy supported by all of Norton's owners. That policy evolved from John Jeppson's dual role as a leader in Worcester's Swedish community and as Norton's superintendent of production who recruited Swedish workers, concentrating on those who had migrated from Hoganas, his hometown. As the firm's needs increased, employees wrote to brothers, cousins, and friends in Sweden and elsewhere in the United States of the special opportunity for Swedes at Worcester's Norton Company; and by the century's turn Norton company was known in Hoganas as "Jeppson's Shop."

What kept the process going and kept Swedes at Norton was their satisfaction with the work. Skilled jobs associated with the new industry of wheel manufacture were largely Swedish, and Swedes filled the increasing ranks of foremen and supervisory personnel in the plant. Jeppson eased the transition to urban industrial life in a new land. He and General Manager Charles Allen helped establish a mutual benefit association, insuring against illness, injury, and funeral expenses. The superintendent aided his countrymen in obtaining citizenship papers, dragged drunken Swedes home from saloons on Saturday nights, delivered part of thirsty Swedes' pay directly to their wives, settled family squabbles, and loaned money to needy workers.

The plant itself became a focal point for many Swedes as they established a community nearby. Company-sponsored Christmas dinners were major social events and included singing, dancing, and other entertainment. Subsequently, annual company excursions on June 24, Swedish Midsummer Day, transported several hundred employees and their families for races, baseball games, songs, dances, and marches.

By 1900 the early affiliation that existed between John Jeppson and his fellow immigrants had evolved into a pattern of paternalistic labor relations. In some cases, such as the company outing, Norton sponsored activities directly; in others, such as the benefit society, it loaned facilities and encouraged private action by its employees; and, in still others, it contributed to local organizations such as the YMCA. Such efforts were only minor amelioration for long hours and arduous physical labor for daily earnings ranging from $1.50 to $2.25, but even these considerations were attractive by turn-of-the-century standards.

For the company the paternal welfare policy meant clear benefits even if they could not be recorded on a balance sheet. Norton had from the very beginning a remarkably stable and loyal workforce. In the firm's early days, Jeppson was able to lead the company from shop to factory operation and still retain the confidentiality of manufacturing secrets and pride of workmanship characteristic of craft production. In addition, the predominantly Swedish workforce seldom challenged the Jeppson-Allen leadership and pointedly ignored the Worcester Central Labor Union's call for a strike and organization in 1901. In labor relations, diligent attention and prudent, if small, investments paid generous dividends.

When the innovation of man-made abrasive grain, the advent of the automobile, and the growth of production grinding transformed the small firm into one of the nation's four hundred largest industrial enterprises between 1900 and 1920, George Jeppson met the big company's needs for labor relations policies and procedures by adapting his father's techniques. As the factory workforce grew from less than two hundred in 1900 to more than 1,300 by 1912, John and George Jeppson maintained direct oversight of the core of the enterprise, bonded abrasives manufacture in Worcester, and were ably assisted by a growing line organization of Swedish foremen and supervisory personnel and by the still strong bond between the owner-managers and their predominantly Swedish workforce.

World War I, however, proved a major upheaval for Norton Company, as well as many other large enterprises, and overwhelmed efforts to simply extend the labor policies of the smaller firm. In four years the workforce nearly quadrupled to 5,000, the Swedish component fell to 24 percent, a major strike disrupted the grinding machine division, turnover rates jumped to more than 150 percent in both machinery and wheel workforces, cheating on piece rates grew, and productivity declined. By 1917 Charles Allen felt compelled to hire labor spies to prevent sabotage by German workers and to root out discontent in the labor force. But the workers' ready recognition of the informers further aggravated already deteriorating relations, and the piecemeal laying off of "agitators" did nothing to improve productivity or attitudes.

Norton's solution, like that of many other companies, was the emphasis of a positive approach through a program of corporate welfare. In July 1918 Norton's physician, W. Irving Clark, headed the Service Department, a new staff agency that combined most of Norton's corporate welfare functions, including programs or committees for health and sanitation, safety engineering, employment, housing, and naturalization. Under Clark's analytical guidance, the new department's purpose was to extend the principles of scientific management into employee relations for greater efficiency and higher output. He argued that the department's

> business is to give the same attention to the needs of the company's workers that the selling departments give to the needs of the company's customers. It promotes loyalty and cooperation; it diminishes sickness and accident; it promotes thrift and health; it diminishes misunderstanding and discontent [7, p. 36].

Clark's statement reflected the health care program he had administered at Norton since 1911. Proper industrial medicine in Norton's "hospital" performed the positive function of improving worker efficiency. Periodic exams, preventative medicine, and counsel against "the minor vices" of oversmoking, late hours, and "sprees" reduced accident rates and lost time while improving health and productivity.

Yet, although Clark's staff operation improved performance by halving lost time and screening unfit workers, it did little to instill the positive attitudes, restore the personal bond, and inculcate the values that the owner-managers had shared with their early Swedish workers. George Jeppson quickly realized that the doctor was a poor "people man," almost a caricature of the efficency engineers who transferred scientific management techniques from production processes to labor relations. In Clark's own words,

> the ideal of production is a continuous output which can be raised or lowered at will to meet the demand and which will at [all] times be of uniform quality. If all machines were automatic such an ideal could be accomplished but there are many disturbing elements all due to the necessity of employing men and women to run the machines. As soon as the human element enters, uncertainty enters also [6, p. 4].

Not surprisingly, the complaints and suspicion continued. Worcester labor groups protested the physical exams as an invasion of liberty and as a means to enforce blacklisting. And the physician's mechanistic approach was hardly conducive to a warm relationship. After his examination, one startled worker grumbled that the "Doctors was more fit to be Veterinairs than human Doctors so thorough they are" [18]. George Jeppson had already realized that the answer lay in institutionalizing his father's earlier efforts. Better labor relations required a renewal of the loyalty, good feeling, respect, and care which had characterized the bonds between worker and owner in the small firm. If a haze of nostalgia exaggerated the earlier fellowship, proof of its effectiveness was the core group of one thousand or so seasoned employees who continued to be Norton's backbone. Although no individual could replace John Jeppson or duplicate in the big company what he had accomplished over thirty years in the small firm, a conscious, continuous effort, directed by George Jeppson and implemented by the veteran core, did much to stabilize the workforce, improve attitudes, increase productivity, and, in general, restore what was soon called the "Norton Spirit" or "Norton Family." Beginning about 1910, the Norton Spirit program was substituted for John Jeppson's activities as the owner-managers labored to transfer the values and traditions of the small business into the large-scale enterprise. As one owner observed, "efficiency must not be had at the cost of the men who should be the primary beneficiaries from efficiency" [17].

Promoting a sense of warmth and personal ties required the owner-managers' constant attention and centralized control of labor relations to override the potential for cold, rigid bureaucracy. Although Clark administered the Service Department, policymaking was reserved to the Service Committee headed by George Jeppson. Jeppson always insisted that managing people was a responsibility for line authority and was not to be delegated to staff, a contrast to the staff administration of corporate welfarism in most firms [10; 25, pp. 106-14, 148-56].

Jeppson had supreme confidence in the Swedish supervisory personnel whose experience linked the small company of his father's day with his own time. As Works Manager he met regularly with his foremen and continually emphasized their primacy in maintaining a contented, productive workforce. Though hiring and firing and employee record-keeping were taken from general foreman Joel Styffe and centralized in an employment department under E. H. Fish, in 1915, Fish left after complaining unsuccessfully that the foremen continued to usurp his functions and that George Jeppson refused to stand behind him. Jeppson, who thought Fish ran a "sociological" department, replaced him with John Erickson, a Swede who got on well with the predominantly Swedish foremen and who kept the employment office out of the plant.

With his purpose and techniques clear, Jeppson pushed Norton Company into the familiar panoply of programs and fringe benefits that characterized corporate welfarism. Efforts always promoted founder values as well as efficiency. To encourage self-reliance Norton urged savings bank life insurance and membership in the mutual benefit association. Paid vacations based on seniority rewarded stability. The Norton Credit Union and the benefit association encourage thrift. An education program, which included training courses, instruction in rudimentary English and mathematics, and scholarships at Worcester Polytechnic Institute for Norton employees and their children, emphasized the opportunities available through individual initiative. Company houses sold to workers were thought "likely to make the employee happy and contented with his personal work, to improve his taste, [and] stimulate his ambition" [1, p. 2].

Most prominent, however, was an extensive recreation program that included nearly two-thirds of the workforce. Norton's leaders responded readily to Clark's argument for improved worker productivity; athletics produced healthy minds and healthy bodies. As one official put it, "Healthful, happy play is fundamental in any community that wants to achieve industrial efficiency and social happiness" [2, p. 3].

George Jeppson sought a more specific effect. Recreation would provide "a splendid opportunity to know a great deal more of our workers than we do now." He continued to feel strongly that "the big job in a large place like ours is to keep in contact with our people" [20]. His solution was to mix veteran line people with the newly hired,

> many young men who come here as immigrants and are away from a home or church influence, and who are ready material for the radical....Let their American-born fellow employees assist them in their recreation....In these days our greatest danger is from the young men who are not seasoned by experience and ignorant Europeans who have nothing to base their ideas of government on [19].

As it had in earlier times, the enterprise remained the center of social as well as economic life for Norton families. Norton Beach and Norton Boathouse became family activity centers for picnicking, boating, and swimming during the day and dancing and outings in the evening. As many as 20,000 joined in the gala Harvest Day, an annual successor to the earlier company outings and a major celebration where competitions displayed the results of gardening, photography, and other Norton-sponsored hobbies. Athletes were awarded the Norton "N," the Norton Banner led parades, and the firm regularly honored 10-, 15-, 25-, (and later 50-) year employees with speeches, banquets, and medals.

Thus the "Norton Spirit" was not simply another corporate welfare program. It substituted agreement and shared values as the homogeneity of workforce and management declined, and it extended the paternalism so common in New England manufacturing firms and industrial communities of the nineteenth century into the twentieth century, large-scale enterprise. Paternalism and welfarism sought dominion and efficiency, but with different emphasis. Paternalism stressed direct inculcation of values by owner-operators or line supervisors for greater control, while welfarism accentuated social engineering by a staff organization to assure greater productivity.

Norton's owner-operators successfully married the two techniques to facilitate the continuation of the particular traditions and character of the small business within the framework generally evolving for modern industrial companies. In the late 1920s when only 25 percent of Norton's Worcester employees owned cars, the plant remained an important social center. The 1930s depression made workers even more dependent upon the company until New Deal reforms took effect. Norton workers understood then that the company nurse would not only track down absentees but would serve as a social worker as well, establishing care, notifying relatives, making funeral arrangements, and providing other services. Pensions helped ease old age and retirement, education offered opportunities, and recreational activities furnished entertainment and facilities when government programs were inadequate.

Diligent efforts and careful selection recruited a permanent cadre that accepted and expected paternalistic management. In normal times the second and third generations of Norton management presided over an extraordinarily stable labor force. As late as 1948 more that 60 percent of all workers had at least ten years' experience. Despite Norton's location in the heart of industrial Massachusetts, the Worcester operation remained without unions. Even in the 1930s and 1940s amidst the national rise of industrial unionism and the United Steelworkers of America's organization of Worcester's American Steel and Wire plants, union sentiment was never sufficient to warrant even a vote at Norton.

Although the particular circumstances shaping a paternalistic labor relations policy at the Norton Company are unique, there are several reasons to believe that the extension of nineteenth century paternalism into twentieth century, large-scale enterprise is not so unusual. Herbert Gutman has pointed out that the challenge of acculturating new groups to factory discipline was an unbroken theme between the 1820s and 1920s [15]. The Norton case makes clear that a large, paternalistic firm need not have been established in an early nineteenth century industrial village because values and traditions moved across time within an environment. And while the Norton experience may not have been directly replicated, the company's emphasis on control and attitudes as well as efficiency and its use of line operation instead of the general practice of administering welfare capitalism through a staff administration suggest approaches for identifying and analyzing related experiences in other firms.

Most likely candidates are those that grew by internal development or had a fairly continuous management or "culture" as Norton did [5, p. 452-53; 8]. Fairbanks, Morse and Company, the St. Johnsbury, Vermont manufacturer of scales and weighing machines, still perpetuated owner values in that industrial community in the early twentieth century. Cincinnati Milling Company, a machine tool manufacturer, provided a striking case of a non-New England company with paternalistic owner-operation and strong ethnic (German) homogeneity among managers and workers. In Millinocket, Maine, the Great Northern Paper Company demonstrated throughout the first half of the twentieth century the persistence of paternalism in a firm recently established in traditional mill-town circumstances. By 1917 all three enterprises had assets of $15 million dollars or more and were among the four hundred largest industrials in the United States [11; 12; 21; 23; 28].

In summation, the Norton case and the other experiences demonstrate at least some nineteenth century roots for the large-scale industrial enterprise of the twentieth century. None was associated with textiles or employed significant numbers of women before adopting corporate welfarism. The preponderance of textile firms in the corporate welfare movement then may well have resulted from their location in New England and the South where owners traditionally employed paternalism to assimilate labor forces and to perpetuate owner values. Such a pattern suggests that even radically new institutions do not spring whole from the circumstances of their creation and reminds us that history is, after all, a process of change and continuity.

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