

Hubert Bonin & Paul Thomes (eds.)

# Old Paternalism New Paternalism Post-Paternalism

(19th-21st Centuries)



*P.I.E. Peter Lang*

The aim of this book is to explore and compare the welfare strategies of businesses, including the various forms of “paternalism”, over two centuries and across a number of countries. Specifically, the book examines differentiation and variation among the social mindsets of companies. Business history inevitably involves the study of social policies, including analysis of the societal influence of companies and their response to workforce demands concerning living conditions. In this book, historical forms of patronage are considered (old paternalism), as well as structured social policies aimed at stabilizing and appeasing labour relations (new paternalism). Issues of “post-paternalism” are then studied, opening the door to an assessment of the differences between the various types of paternalism and an exploration of the “fad” of corporate social responsibility (CSR) or corporate social entrepreneurship (CSE). This concept, which gained prominence among transnational companies around the turn of the 1980s and the beginning of the third industrial revolution, involved the design of an entrepreneurial strategy to identify, analyse, organise, create and manage a venture to initiate sustainable and systematic socio-economic change.

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# **Old Paternalism, New Paternalism, Post-Paternalism (19th-21st Centuries)**



P.I.E. Peter Lang

Bruxelles · Bern · Berlin · Frankfurt am Main · New York · Oxford · Wien



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## INTRODUCTION

### Issues Concerning the Stages of Paternalism

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#### 1. Introduction

When we organised a session at the congress of the European Business History Association in Glasgow in August 2010, our intention was to build a small team which would tackle the problem of benchmarking the various forms of “paternalism” – roughly defined as “the welfare strategy of firms” – over various periods and across various countries, and also to debate about the “differentiation and variation” in territories and periods. For instance, the growth of non-family Big Businesses could not but induce changes in the way the workforce is encouraged to be “committed” and “loyal”. We wanted to study this development and its many facets along with the obvious considerations regarding “change management”, that is, all the aspects which could initiate a change within firms and their societal implications in combination with new strategies, structures, systems, processes or behaviours.<sup>1</sup>

Meanwhile, our team was strengthened by several academics who expressed a keen interest in the project and whose contributions have opened up new pathways of comparison between countries and firms over an extended period of time – with the result that this book now represents a pan-European community of intellectual interests and affinities from a very broad perspective. “Business history” was at stake because the growth and performance of companies cannot be imagined

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<sup>1</sup> For an overview Robert Bachert and Dietmar Vahs, *Change Management in Nonprofit-Organisationen*, 2007. Birgit Blättel-Mink, *Kompendium der Innovationsforschung*, Wiesbaden, VS Verlag für Sozialwissenschaften, 2006. Frank Heidehoff and Tobias Radel (eds.), *Organisation von Innovation*. Strukturen, Prozesse, Interventionen. Gestaltungsmöglichkeiten, München/Mering, Hampp, 1998. John Kotter and Holger Rathgeber, *Das Pinguin-Prinzip. Wie Veränderung zum Erfolg führt*, Harald Stadler, München, Droeme Knauer, 2006.

without a relevant management of the workforce within the framework of what since the 1960s has been called “human resources”, in the wake of the pioneering book by MIT professor Douglas McGregor, entitled *The Human Side of Enterprise*.<sup>2</sup>

We would like to begin with some definitions, because terminological clarity will help define the problem. This is especially important as paternalism is a fuzzy term. We could define “paternalism” as a political, societal or entrepreneurial ideology characterised by the hierarchical pattern of an institution or enterprise based on patriarchy. The system is seen as a “family”, with the patriarch as the central figure who defines business policy, including the rights of and the benefits for his workers, who depend on his goodwill, but without any legal claim.<sup>3</sup> This paves the way to the chapters on “Old Paternalism”, which cover the classical patterns of in-house welfare strategies. We might thus pretend that our book will only refresh old studies on paternalism, which were so developed in the 1970s-1980s – a time when historians reconsidered the apparently all-mighty success of the “Welfare State” (in French: *État-providence*) by highlighting the role of non-State initiatives before the “revolution” of the 1930s (New Deal, French reforms in 1928-1938) and mostly of the 1940s and 1950s: Social Security Acts in several European countries, *Soziale Marktwirtschaft* in Western Germany as a third way between socialism and capitalism.

Gaps in the efficiency of the centralised social system set up around WWII gave rise to heated debates on the pervasive role of the decentralised social policies conducted by firms (and also associations and charities). The Second Industrial Revolution (from the 1890s to the 1970s) also conceived of the “management of human resources” and had to take into consideration issues of cohesiveness and stability in its workforce: the entire spectrum of “social policies” could not be left in the hands of the State or, in the case of “marginal” interventions, to charities. Scarcity of labour, increased competition and political compulsion forced big corporations to reintroduce the concept of “welfare” regarding their workforce, within the range of the purpose and skills of their human resource management teams. This challenge enticed our academic group to devote entire chapters to the issues of what we call “New Paternalism”: the challenge of “social commitment” faced by the big firms and productive organisations emerging from new types of

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<sup>2</sup> Douglas McGregor, *The Human Side of Enterprise*, New York, McGraw Hill, 1960.

<sup>3</sup> Gablers Wirtschaftslexikon, *Paternalismus*, 1993. Heiko Ulrich Zude, *Paternalismus. Fallstudien zur Genese des Begriffs*, 2006; for a regional case study: Richard van Dülmen (ed.), *Industriekultur an der Saar (1840-1918)*, 1989; generally for Germany: Hans Ulrich Wehler, *Deutsche Gesellschaftsgeschichte*, 2008. See also the terms “Welfare Capitalism” and “Social Capitalism” for the Anglo-Saxon sphere.

industries confronted by the re-structuring of their corporate culture *via* external growth and multinationalisation. The trend – as will be studied in the last section – towards less “embeddedness” within a community of interests and even in its main country of origin, cannot but raise concerns about the neglected state of social involvement, as expressed in the title: “America’s dilemma: as business retreats from its welfare role, who will take up the burden?”<sup>4</sup>

“Post-paternalist” topics will open the door to an assessment of the differences between “paternalism” and what subsequently became the “fad” of “corporate social responsibility” (CSR) or “corporate social entrepreneurship” (CSE) around the turn of the 1980s and the beginning of the third industrial revolution. This CSR might appear as one item in the tool-box of globalised, transnational companies, who had to design an entrepreneurial strategy to identify, analyse, organise, create and manage a venture to initiate socio-economic change in the direction of a sustainable socio-economic scheme – at least for their activities in highly developed democratic societies. The basic principles were democracy and human dignity, creating social value and welfare. These principles were by no means incompatible with profit-making, as has been clearly shown by several case studies.<sup>5</sup> This trend even gathered momentum because the State often sought to arrange some public duties and responsibilities effectively by “privatising” or “outsourcing” them including, partially, education and social services in Public Private Partnership schemes.<sup>6</sup>

## 2. Issues

Here are a few issues that our book will consider as priorities throughout its chapters about “the variety of paternalism”. Resolutely, it will not be able to grapple with a thorough coverage of the topic, but it

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<sup>4</sup> Paul Sullivan, “America’s dilemma: As business retreats from its welfare role, who will take up the burden?”, *The Financial Times*, 11 January 2006, p. 8.

<sup>5</sup> A successful long-term example is the German savings banks business model, based on public law and the idea of common welfare. Hans Pohl, Bernd Rudolph, and Günther Schulz, *Die deutschen Sparkassen im 20. Jahrhundert*, Stuttgart, Deutscher Sparkassenverlag, 2005. In general: James Austin and Ezequiel Reficco, *Corporate Social Entrepreneurship*, Harvard Business School, 2009.

<sup>6</sup> Nowadays a more critical rating of the concept has been discussed. See Wolfgang Gerstlberger & Karsten Schneider, *Öffentlich Private Partnerschaften, Zwischenbilanz, empirische Befunde und Ausblick*, Berlin, Sigma, 2008. Daniela Kirsch, *Public Private Partnership*, Immobilien Informationsverlag Rudolf Müller, 1997. Lothar Pauly (ed.), *Das neue Miteinander. Public Private Partnership für Deutschland*, Hamburg, Hoffmann und Campe, Köln, 2006. Hans Pohl *et al.*, *Die deutschen Sparkassen im 20. Jahrhundert*, 2005.

is intended to provide scholars with a comprehensive overview, focused on key issues.

### ***A. The traditional forms of paternalism***

Generally speaking, we know that paternalism strives to form or improve the cohesion of a company's "social body", while the company benefits primarily from an improvement in its organisation and its social relations. But paternalism would like to do much more than just improve the efficiency of social and human resources management – though these terms are anachronistic for the 19th century, and even the inter-war period. Paternalism would also like to mobilise "spiritual" factors within a corporate culture specific to this or that company. Developing human capital, "changing the man" at the heart of the process of his integration into the "industrial civilisation", belongs to this sphere of a certain "spirituality", or at least of a corpus of values often touched by humanism and based on religious (for the Christian Social employer) or philosophical (for the more progressive reformist) ideals. The action of Émile Mayrisch at the head of the Luxembourg steel industry could exemplify such an achievement.<sup>7</sup>

A second reason for paternalism's entry was – again generally speaking – the need for stabilising the manpower, which was still not "disciplined" or convinced enough to accept, without grumbling, life according to "industry time", within a growing competitive climate. The stabilisation and training of this manpower went hand-in-hand, whether it be by improving the minds of the employees and their families (and future employees) *via* schools and training camps (not to speak of the "moralising" imparted by these same schools and, sometimes, by religious institutions), or by taking care of their bodies and physical health (welcome tools for the "reproduction of the workforce").

We could identify two basic forms of paternalism. First, there is the "heavy" kind of paternalism, which maintains its social, spiritual and even political "hold" on the company's social body with what we could characterise as a "proto totalitarian" attitude. The second "light" kind is sober and much better balances individual, family and collective freedoms and inclusion into the system of social and cultural relations. Thus, the concept of paternalism can cover multiple realities, and "varieties of paternalism" could correspond to the "varieties of capitalism" producing sometimes really astonishing results up to interplant democratic structures.

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<sup>7</sup> Nadine Schmitz, "Le paternalisme d'Émile Mayrisch", in *Terres rouges: histoire de la sidérurgie luxembourgeoise*, 1<sup>st</sup> ed., 2009, Luxembourg, Archives nationales du Luxembourg/Centre d'études et de recherches européennes Robert Schuman, 2012, pp. 104-153.



## ***B. Rediscovering “old paternalism”***

There are already so many books and articles on the theme of social relations founded on patronage and philanthropy that reopening the file on this paternalism might seem like “breaking down open doors”. The first big wave of academic studies came at the turn of the 1960s, with reflections, mostly in “leftist” circles, on the management of the work space beyond simple production relationships. The book on Montceau-les-Mines, sub-titled *Social Laboratory*,<sup>8</sup> was emblematic of this trend and gave rise to a number of collective reflections on a classic dilemma: could one believe in the historic existence of a “good capitalism”? How great were the risks that such paternalist practices would result in the individual and collective “alienation” of the workers? Were we not faced by ingenious resistance mechanisms, set up by employers, which went beyond the use of brute force, be it political, police or military action or, more modestly, social (layoffs, social control)? Historians and historical sociologists were sometimes surprised by the degree of development of this employers’ “counter-society”, based on the organisation of their production, life and thought space into veritable micro-systems which built pockets of “well-being” on a long-term basis before the advent of the Welfare-State.

Such a system or model took shape during the maturation of the first industrial revolution as well as the first stage of the second industrial revolution (in the years 1890-1920). Our book presents several examples (French, Swiss and Russian). The paternalist cities of Schneider (at Le Creusot in Burgundy and in Normandy), Lever (Sunlight) for instance or of the mining companies, symbolised such “utopias”, just as did the “social” novels, which featured social or city islets of “happiness” built by “good employers”.<sup>9</sup>

A question then arises: to what extent is the large modern corporation compatible with paternalism? Is not its social hold overinflated and therefore incapable of federating groups that are too large or spread out over too many production sites? Does not this massive urbanisation by itself automatically dissolve the foundations of paternalism? In fact, it does sunder the immediate link between the company and its employees, as they now live far from the industrial sites, confined to suburbs of dense manufacturing hubs. Catherine Omnès<sup>10</sup> has clearly shown how tenuous this link was in the case of women workers in the inter-war

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<sup>8</sup> René Beaubernard, *Montceau-les-Mines. Un laboratoire social au XIX<sup>e</sup> siècle*, 1981.

<sup>9</sup> The Brontë sisters, countess of Ségur, Hector Malot, Georges Ohnet, Jules Verne, etc.

<sup>10</sup> Catherine Omnès, *Ouvrières parisiennes. Marchés du travail et trajectoires professionnelles au XX<sup>e</sup> siècle*, Paris, Éditions de l’École des hautes études en sciences sociales, 1997.

period and to what extent their job stability suffered: “loyalty” and “cohesion” disappeared in the Parisian region, in contrast to the pockets in which these values not only survived but even expanded in the textile regions, whether it be in Alsace, the Vosges or in the North, where industrial “valleys” managed to retain this proximity of work and life so necessary for the “old paternalism”. There arises then a burning question: is the criterion for evaluating social progress “happiness in the company” (favoured by paternalism) or the possibility of better pay and promotion, which itself opens the doors to still better pay? It would seem that quantitative, salary and monetary materialism trumps the spiritualism of paternalist integration in the system of thought and virtue.

Nevertheless, several chapters of our book bear witness, surprisingly, to the resistance put up by the old paternalism, despite the continuing growth of the large corporation (in Switzerland, mainly). Processes of adaptation to the new forms of production have revitalised this old paternalism (generally where the company still retained a relatively modest size or family roots) while at the same time favouring the birth of the “new paternalism”.

The change was first nourished by an ideological corpus, while social liberalism, sometimes inspired by Christian Social influences, or the revival of a socially-aware family capitalism at the start of the second industrial revolution (Ford, Siemens, Bosch, Peugeot, etc.), also played a part. Many employers were shocked by the massive turnover of their manpower: often, more than half of the personnel was replaced every year, with some sectors witnessing much higher figures – historians have come up with ratios greater even than 100 per cent! This shows the enormous gap between the reality of the workplace and the aspirations of employees (stemming from intra-regional, inter-regional and international migrations). This renews the debates on social engineering and the methods of integrating the productive social body into not only the company’s organisation, but also into its social “territory” and zone of influence.

### ***C. Towards a “new paternalism”***

This tendency was also strengthened by the desire to have more qualified employees around the strata of foremen, forewomen, supervisors, technicians and middle managers, in order to infuse technical Fordism and Taylorism and to foster the workforce in tertiary “offices” (accounting, logistics) growing rapidly within industrial enterprises. The more a company’s organisation spreads and scatters, the greater is its need of “management relays”, entrusted to the “good employees”: those who are stable, trustworthy and more or less “attached” to their company. Citroën in France is one of those companies that have shown this trend of thought in its continuing efforts within the company (training workshops,

priority given to training and to the monitoring of foremen and other technicians, etc.).<sup>11</sup>

The “new paternalism” corresponds to this trend of thought, which aims to build special relations with well-targeted employees (production, monitoring or training officers), people in whom one would like to encourage stability, confidence in the company’s “corporate culture” and even a certain “adhesion” to notions of progress – as much technological as social. The “loyalty” must be reciprocal: disbursement of “good” salaries (“five dollars a day”), promotion and requalification systems and the provision of social benefits (retirement plans, leisure activities, health, etc.) for tens of thousands of employees, not just for small sections of the workforce. One even dreams of “employment for life”, as in IBM in the years 1950-1970 and obviously the Japanese companies which have been held up as models by so many Western observers. Another aspect of “new paternalism” was the changing legal framework within the emerging social welfare state, which it had to adapt to (German social legislation of the 1880s).

Enterprises requiring substantial physical labour from their employees upgraded their methods of social mediation by converting their old paternalism into the new – on the condition that they themselves be structured, which is not the case in the vast majority of construction and civil engineering companies. Railway and mining companies greatly extended their field of “social well-being” for the benefit of masses of employees who had been stabilised with the aid “statutes” negotiated with representative bodies and trade unions (for example in France, from the mining statutes negotiated at Arras in 1891 to those of the railway employees, post-office workers and dock-workers, and similar developments in all western European states). The “social works” begun by these industrial or tertiary groups prospered and the insertion of a majority of these companies into the public sector (postal services to begin with, then railways and mines) accentuated this tendency. The internal social action (directly or through the central works council) became emblematic of the large public enterprise’s, or the State-employer’s, ability to manage what are evidently “new paternalistic” formulae.

The “railway model” studied by Georges Ribeill in this book is emblematic. The “mining model” is a cross between the heritage of the old and components of the new paternalism: independent housing townships (“mining villages”) were established towards the middle of the 19th century and continued to spread rapidly till well into the 1960s. Even in the 21st century, they still catch the eye when mining companies,

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<sup>11</sup> See Sylvie Schweitzer, *André Citroën, 1878-1936: le risque et le défi*, Paris, Fayard, 1992.

in the process of liquidation or streamlining, sell these mining cities to social housing institutions (like the specialised subsidiaries of *Caisse des dépôts et consignations*, in France as much as in Germany): it being a question of tens or hundreds of thousands of assets to be re-qualified.

#### ***D. From a paternalistic philanthropy to negotiated reform?***

Meanwhile, the somewhat “proto-totalitarian” designs of the old paternalism were abandoned: employers no longer sought to extend their influence beyond the domain of production – except maybe in the USSR’s combines – and we even see employers admitting trade union rights to their employees and beginning the process of “*continuous bargaining*” – though Ford balked at that in the inter-war period – and in Germany the trade unions had legal status since 1918, which opened the door to processes of negotiations till 1933-1934 and the end of WWII. While the Welfare State held out its offer of a “collective well-being” (health, social, education) and the “Social State” gave assurances of its power of intermediation between the workers and access to many social services, numerous “pockets” of “greater well-being” led to a number competitive advantages for many companies of this second industrial revolution. Companies taking to this new paternalism encouraged their employees to manage the collective social, sports, socio-educative and leisure activity systems on their own (elected social action committees) or in association with the management (with the advent of paid holidays). It was the fermentation of an informal corporate culture, not yet systematised or made explicit by internal communications experts and human resources departments, but very real nevertheless. It was part of this hope of infusing “well-being” into a freely constituted community.

Within this “Anglo-Saxon model” of a decentralised management of health, retirement and social security systems, the new paternalism could take help from the bargaining strength of union powers (for example, the United Automobile Workers) in order to consolidate direct contributions from large companies in the management of social entities. We get some idea of the size of the issues involved in times of crisis when, for example, the tycoon Robert Maxwell disappeared after having embezzled money from his own British media group’s pension funds, or when the collapse of the airlines and General Motors in the United States endangered the future of their pension institutions – now that the continued existence of the new paternalism depends on that of the companies which finance it. This led to the integration of these collective lifestyles of the Anglo-Saxon enterprise into “social fordism”. Apart from the salary and related advantages, collective social benefits were also incorporated in a sort of “reward” or compensation with a simultaneous insertion into the technological Fordism, which required an intensification of work and enhanced productivity. One works hard, but also enjoys

convenient and cheap healthcare and can hope to have a comfortable retirement within these large pockets of the new paternalism, in parallel with the deployment of the Welfare-State's own interventions.

Strong “new-paternalistic” practices can be identified in every capitalist (and industrialised) country (a good socio-productive culture links the requirements of productivity and collective and individual effort to the setting up and maintenance of a productive community endowed with a strong social security, be it managed directly or delegated). A good case study is given by a large section of French employers in the years 1930-1960, especially by those inspired by Christian Socialism or Neo-Liberal reformism. In the wake of the laws of 1928-1930, these employers encouraged the setting up of social insurance funds, professional or interprofessional, in order to manage, in association with employee representatives not under trade union influence, the construction of a compulsory Social Security, but independent of the State.

When the system was nationalised in 1946, the so-called mutual insurance companies continued to exist to manage the supplementary social insurance (statutory, but managed freely, outside the scope of the State) and the “super-supplementary” collective social benefits accorded in a bid to attract and stabilise the manpower. Similarly, employers encouraged the creation of private social housing companies, which would collect a percentage from the total workforce of all the enterprises participating in this system and invest in a housing stock, to which their employees would have priority access. Though the law of 1953 imposed a minimum ratio (1 per cent), it in no way prevented employers from setting aside a part of the capital in the name of a “greater well-being” for their employees. One can thus once again claim that, along with the Welfare State<sup>12</sup> (or even ahead of it), these forms of the new paternalism epitomised the changes in paternalism induced by the productive structures, production methods and the production social relations brought in by the second industrial revolution.

This or that company is called “social” because the *continuous bargaining* within the framework of collective agreements and the initiatives of the works council (or similar authorities in countries other than France, for example the German *Mitbestimmung*), promote a “social policy” which contributes to the fostering of a “strong” corporate culture – a sort of collective pride, carried by the trade union, a number of employees and large sections of the management. They again constitute

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<sup>12</sup> Cf. “Chapitre 6. À la pointe de la reconstruction et de la modernisation”, in Boriz Dänzer-Kantof, Véronique Lefebvre, Félix Torres and Michel Lucas, *Un siècle de réformes sociales. Une histoire du ministère du Travail, 1906-2006*, Paris, La Documentation française, 2006, pp. 129-150.

so many islets of “social well-being”, very different from the old paternalism, but illustrative, we believe, of what we call the new paternalism, because they are based on mutually “consented” or negotiated forms of collective integration – as is the case for example at Renault<sup>13</sup> in France.

### ***E. Continuing arguments about the nature and the chronology of paternalisms***

Precisely delimiting the outskirts of our topics might appear to be delicate and even subtle embroidery. For example, what we might call “new forms of old paternalism” seem to have “triumphed” somewhat in the US in the interwar period: there, corporations using modern methods of management and technologies still used such well characterised modes of submission of their workforce, that well into the 20th century they still pursued classical practices of patronage and stabilisation. That was the case with many manufacturing companies<sup>14</sup> and with firms acting overseas,<sup>15</sup> even if some of them pleaded in favour of broadening public intervention.<sup>16</sup> The latter could not but follow the same patterns as the European companies active in the colonial empires.

But historians of this period have not yet succeeded in differing from historians of the 19th century,<sup>17</sup> as they argue about the degree of acceptance by the workforce of these paternalistic mindsets. Several scholars pretend that the welfare capitalism supported by benevolent employers was widely embraced by the workers themselves.<sup>18</sup> Thus, refurbished forms of “old paternalism” neighboured practices of “new paternalism” in the same country, industry and period. In social issues, like about industrial or technological revolutions, old and new for years

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<sup>13</sup> Jacqueline Costa-Lascoux, Geneviève Dreyfus-Armand & Émile Temime (eds.), *Renault sur Seine. Hommes et lieux de mémoires de l'industrie automobile*, Paris, La Découverte, 2008. Cyrille Sardais, *Patron de Renault. Pierre Lefauchaux (1944-1955)*, Paris, Presses de Sciences Po, 2010.

<sup>14</sup> See Robert Ozanne, *A Century of Labor-Management Relations at McCormick and International Harvester*, Madison, Wisconsin University Press, 1967. Andrea Toe, *The Business of Benevolence: Industrial Paternalism in Progressive America*, Cornell, Cornell University Press, 1997.

<sup>15</sup> Shakila Jacob, “Model of welfare capitalism? The United States Rubber Company in Southeast Asia, 1910-1942”, *Enterprise & Society. The International Journal of Business History*, Vol. 8, No. 1, March 2007, pp. 136-174.

<sup>16</sup> See Colin Gordon, *New Deals: Business, Labour, and Politics in America, 1920-1935*, Cambridge, Cambridge University Press, 1994.

<sup>17</sup> Stuart Brandes, *American Welfare Capitalism, 1880-1914*, Chicago, 1970. Stephen Meyer, *The Five Dollar Day: Labor, Management and Social Control in the Ford Motor Company, 1908-1921*, Albany, 1981.

<sup>18</sup> David Brody, *Workers in Industrial America: Essays on the Twentieth Century Struggle*, Oxford, Oxford University Press, 1980. Lisabeth Cohen, *Making a New Deal: Industrial Workers in Chicago, 1919-1939*, New York, 1990.

live their life in parallel, without any clear-cut disruption. A central criterion of the evaluation of paternalism in its different forms of appearance might be their political surroundings; there is a decisive difference between the paternalism practiced in democratic or non-democratic political systems including political instrumentalisation (see below).

“Models” seem to have been enhanced to promote “new paternalism” and reignite benevolence despite the turbulence in political and social life throughout the 1920s-1970s, in times when Taylorism<sup>19</sup> and technical Fordism fostered controversies about the future of corporate social policies. Some scholars<sup>20</sup> even suggest that the Cold War stimulated calls for “business responsibilities”<sup>21</sup> and practices of “good capitalism”, in order to promote the values of “free countries” over Communist ones, and the Harvard Business School played some role in that field: “Advocates urged expending business social responsibility as a means of aligning business interests with the defense of free-market capitalist against what was depicted as the clear-and-present danger of Soviet Communism.”<sup>22</sup> Later on, from the mid-1950s, the so called “Rhenan model” or “Rhineland capitalism”, which refers to the German political model of “*Soziale Marktwirtschaft*” with its strong elements of public welfare, could have drawn attention to and even seduced practitioners of benevolence towards corporations.<sup>23</sup> A group of French experts thus once more rekindled the “German model”, then about social issues, celebrating German capitalism<sup>24</sup> as more committed to social investments, dialogue and respect – “new paternalism” – at times when “the American Management Mystique”<sup>25</sup> might have appeared crippled. Still more broadly, the recent resurgence of concerns about the overall stability of society, in the US or in Europe, has prompted at least some academics and experts of business management to favour fresh “good” practices and involvement into social programmes: “Business [...] should help

<sup>19</sup> See Maurice de Montmollin and Olivier Pastré (eds.), *Le taylorisme*, Paris, La Découverte, series “Économie critique”, 1984.

<sup>20</sup> Bert Spector, “Business responsibilities in a divided world: The Cold War roots of the corporate social responsibility movement”, *Enterprise and Society. The International Journal of Business History*, Vol. 9, No. 2, June 2008, pp. 314-336.

<sup>21</sup> Donald David, “Business responsibilities in a divided world”, *Harvard Business Review*, Vol. 29, May 1949, Supplement, pp. 1-9. David was at that time the dean of the Harvard Business School.

<sup>22</sup> Bert Spector, art. cit., p. 314.

<sup>23</sup> See Bernardo Batiz-Lazo, Robert Locke, and Kristine Müller, “The future of Rhineland capitalism across the Polish-German border”, *Journal of Management History*, 14(1), 2008, pp. 12-22.

<sup>24</sup> Michel Albert, *Capitalism against Capitalism*, London, FWEW, 1993.

<sup>25</sup> Robert Locke, *The Collapse of the American Management Mystique*, Oxford, Oxford University Press, 1996.

strengthen communities because the ‘health’ of society and business are inextricably linked”.<sup>26</sup>

Patterns and models of “old paternalism” blossomed throughout the 19th century and at the turn of the 20th century. The first type had been borne by the classical “islets” of benevolence sponsored by family medium-sized companies in early industrialising countries.<sup>27</sup> The second type was expressed by big companies, still family-owned and managed, as were Schneider or De Wendel in France, Krupp and Stumm in Germany or identified to some family or some capitalist tycoon, with the case of Andrew Carnegie<sup>28</sup> at the centre of this group, paving the way to “philanthrocapitalism”.<sup>29</sup>

This book will explore in depth several aspects of these considerations on the old and the new paternalisms before venturing to dwell on the future of paternalism in our contemporary, “post-industrial” civilisation, or in what has become the “third industrial revolution”. We will begin by first presenting a summary of each chapter.

### 3. Abstracts

**Michel Hau:** *Industrial paternalism and social development. The commitment of the community of businessmen in Alsace.* The Alsatian entrepreneurs were at the forefront of the initiatives favouring free health services and cheap accommodation for their employees. They played an important role in the adoption in France of a legislation limiting children’s work. Their paternalism rested on their protestant ethics and their conviction that the mission of the entrepreneur was not only to create wealth but also to help to solve the social problems of their country.

**Georges Ribeill:** *From enlightened paternalism to utmost corporatism. Social politics in French railway companies.* The railwaymen’s

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<sup>26</sup> Boston College Center for Corporate Citizenship, *The State of Corporate Citizenship in the U.S.: Business Perspectives in 2005*, Boston, 2005, quoted by Bert Spector, art. cit., p. 331. The survey had been funded by the US Chamber of Commerce and the Hitachi Foundation.

<sup>27</sup> See the perfect case study; Michel Pigenet, “L’usine et le village: Rosières (1869-1914)”, *Le Mouvement social*, 119, April-June 1982, Paris, Les Éditions ouvrières, pp. 33-61.

<sup>28</sup> Charles Harvey, Mairi MacLean, Jillian Gordon and Eleanor Shaw, “Andrew Carnegie and the foundations of contemporary entrepreneurial philanthropy”, *Business History*, 53(3), June 2011, pp. 425-450. Also see: Zoltan Acs and Ronnie Phillips, “Entrepreneurship and philanthropy in American capitalism”, *Small Business Economics*, Vol. 19, No. 3, 2002, pp. 189-294.

<sup>29</sup> Matthew Bishop and Michael Green, *Philanthrocapitalism. How Giving Can Save the World*, London, Black, 2008. Matthew Bishop is the US Business Editor and New York Bureau Chief of *The Economist*. Mr. Bishop was previously the magazine’s London-based Business Editor.



socio-professional setting was shaped in the 19th century by numerous and varied decisions made by the managers of private companies. Because the continuous functioning of the railways was of great public interest, it was vital to have a constant supply of working railwaymen in spite of the many hardships such as accidents, illnesses and premature wearing-out: this is why various social welfare measures were introduced early on. Railwaymen were offered employment and income guarantees *via* specific job contracts (*commissionnement*), illness or accident aid funds as well as pension funds. This kind of paternalism was a characteristic feature of all railway companies, though the aid provided or the staff supervision varied from one company to another. And despite the trade unions' fights against arbitrariness and abuse of power, by the end of the 19th century this paternalism was finally accepted by the radical reformist politicians ruling the government and the aforementioned welfare measures were given a corporate regulatory or legal status. During the interwar period, the social programs put forward by railwaymen were backed by their companies, which led to the shaping of a corporate ideology shared by managers and railwaymen alike. It can be summed up by the motto: "The great railwaymen family", which epitomised the height of corporatism of the railway profession that SNCF gladly seized in 1938. In the 1980s, SNCF managers started to realise that this acquired corporatism had become a big political hindrance to competitiveness as regards first, the other competing branches of the present railway system, and ultimately, if they wanted to break the State's monopoly and apply a competitive style to rival railway companies. Thus, it seems really an irony of history that the social welfare measures freely granted by the railway company more than a century ago are seen today as acquired professional advantages for which the railwaymen and their trade unions fight dearly.

**Hubert Bonin:** *The prehistory of corporate social responsibility. Why did paternalism fail in France?* Several French novelists have extolled the virtues of paternalism, expressing a widely shared perception that their new economy and society had no other option but to rely on social consciousness in order to achieve stable growth and revolutionise labour and their way of life. While the French Revolution had deprived the Church of its property and its ability to practice charity on a large scale, social-Christians, social-liberals, and socialist utopians imagined ways to reconcile struggling stake-holders with peaceful and efficient initiatives favouring welfare. Some kind of a "socio-economic model" thus took shape in many companies and industrial cities – which this chapter recalls. Nevertheless, this model failed as a leveraging force to stabilise society because the community of labourers and citizens was not united in its ideas, values and practices. Through an empirical essay, this section tries to unearth the causes of this discrepancy.

**Paul Thomes**, *Sustainable entrepreneurship. A 19th century liberal corporate German paternalist model*: The author analyses a highly innovative interplant social system to create a regional holistic welfare system. Dating back to 1825, its wide range of activities influenced the socio-economic structures of the entire Aachen region – the first mover of German industrialisation – for a century. Its core was formed by two non-profit firms: an insurance stock company and a savings bank. They were founded by “paternalistic” entrepreneurs and backed by the local authorities to foster a private regional social network. By the end of the 19th century, this association ran the biggest Rhenanian savings bank, *kindergartens* as well as girls’ schools. Moreover, it sponsored different hospitals and educational institutions, including RWTH Aachen, a technical university, founded in 1870. It thus represented a very specific alternative form of entrepreneurial commitment, whose liberal basis brought together stabilising and reforming aspects, leading right to modern democratic structures.

**Corinne Belliard**, *Women’s Philanthropy tested by paternalism in 19th century England and France*. This chapter examines paternalism’s centre in the *Charity Organisation Society* (in London and at the *Office central des œuvres de bienfaisance* in Paris). In these societies, charitable women either assisted men or were kept in a subordinate position. In the *Charity Organisation Society*, no female members managed to overcome this male dominance except Octavia Hill and Helen Bosanquet who, in a refined manner, were an authority over both genders. They were granted managerial duties with men’s approval. At the *Office central des œuvres de bienfaisance*, women did not fully immerse themselves in the life of the society. They were portrayed as fickle, impressionable and emotional subjects, with a natural ability to organise a charity sale. Paternalism at the *Charity Organization Society* and the *Office central des œuvres de bienfaisance* emphasised the maternal role of the upper-class and mitigated the harshness of lower-class conditions. It operated in a paradigm of conciliation while maintaining charitable women in their implacable qualities.

**Jean-Louis Moreau**, “*The genesis of paternalism in the colonial territories. The Union minière du Haut-Katanga’s social policy in the 1920s*”. After analysing the surrounding areas of the mining giant in the Belgian colony, the design of their various forms of paternalism is scrutinised. Firstly, their labour issues imposed some solutions from the point of view of the managers of green-field productive centres. This induced them to conceive of pathways to paternalism, favouring altogether material well-being and discipline, whereas a strict upbringing was imposed, thus explaining the limits of these forms of “old paternalism”.

**Alexandre Fernandez**, *Some Aspects of Industrial Paternalism in Spain*. The industrialisation and development of mining industries in Spain fostered social tensions. Beyond mere repression, forms of paternalism were sketched, in order to get better conditions of life and more commitment from the labour force. Christian social mindsets contributed to the process, all the more because the entrepreneurial bourgeoisie tried to formulate a new model of stable society and urbanisation, fuelled by the circles of think tanks set up in a few cities.

**Boris Shpotov**, *A fresh approach to Henry Ford I's paternalism*. Corporate social policy is one of the most significant studies undertaken by business historians. To attract workers and maintain sound business, some entrepreneurs adopted paternalistic social welfare policies, which differed from country to country and epoch to epoch. During the transition from agrarian to industrial economies they were evidently aimed at helping workers to adapt to industrial capitalism. American companies relied upon the monetary interests and individual abilities of workers born in, or immigrants to, the United States. But in some instances, paternalism also took place. Generally speaking, it was a part of a rational system of managing employees. Henry Ford I (1863-1947), the founder and owner of the Ford Motor Company, was not a simple money-maker. Ford was an economic and social philosopher. His ambitions spread far beyond the *Model T*. His *idée-fixe* was that of an overall harmony and the world as a big machine. A good mechanic must watch over its running and eliminate defects, if necessary. In Ford's vision that social "machine" was defective, at first, in the sphere of industrial relations. Secondly, he considered the dominance of money in business and social life as a great evil, and placed the production of useful objects as of much greater importance. This idea made him a sharp critic of public and private charity, calling them useless and cheating manoeuvres. The third feature of his philosophy was an entrepreneurs' social responsibility *vis-à-vis* his factory workers, in the form of profit-sharing, and the society at large – to produce cheaper cars for the "great multitude" and to provide jobs irrespective of physical ability, race, color, religion or nationality. All these philosophical components were interconnected, and turned Ford's paternalism into the "New" type. In the beginning of 1914, the Ford Motor Company launched an impressive profit-sharing program called the "five dollars a day". Its purpose was paternalistic, but Ford wanted to *measure* the effects of extra payments to workers just like a "return on his investment", aimed at cultivating "good employees" among both US-born and immigrant workers at his automobile plant in Detroit. In the case of the latter, this cultivation was called "Americanisation". The workforce consisted of 58 nationalities from all parts of the world. His Sociological Department accumulated statistical data on employee out-of-factory performances like bank

savings, personal debt, real estate purchases, living conditions, habits, etc., to get proof that his workforce spent high earnings rationally. It is a surprisingly understudied topic among Ford historians. By 1918, the \$5 per day policy was exhausted due to financial and other reasons. But some external paternalistic efforts remained, contrasting sharply with the speed-up system and a severe shop discipline enforced by an immediate pink-slip for the slightest misbehaviour.

**Valerio Varini**, *Welfare at Pirelli: From its origins to the post-WWII period*. A relevant aspect in the history of Big Businesses is the welfare company. Recently, this aspect has received growing attention from historians and the case of Pirelli is of particular interest. The creation of a large welfare system enabled the founder, Giovanni Battista Pirelli, to succeed in the rubber sector with Pirelli becoming one of the key players on the international scene. This chapter illustrates the various facets of welfare at Pirelli (health services for employees, training schools organised by the enterprise, workers' housing, leisure time and sport activities, etc.). The overall picture that emerges is that of welfare as a fundamental element, intrinsic to company management, evolving in time but at the same time preserving the original aims indicated by the founder at their very beginning.

**Irina Potkina**, *From Paternalism to Socially Oriented Enterprise: The experience of the Russian businessmen*. The author analyses pre-1917 social programs adopted by prominent Russian manufacturers aimed at improving workers' living and working conditions. The case studied is the partnership between the Nikolskaya Mill "Savva Morozov's son & Co." and the New Russia Company Ltd. These firms differed in their ethnic origin, belonged to different branches of industry and demonstrated two ways of solving social problems. The activities of the Morozovs and the Hughes were characterised by a wide range of services in many fields of human activities. They achieved positive results in medical aid, housing, social insurance, education, and in organising leisure time.

**Jean-Marc Figuet** and **Bernard Sionneau**, *New paternalism, welfare and US moral contract capitalisms in the United States of America*. While the historical experience of the United States' 19th century "go-get economy" can hardly be described as a "bed of roses", lesser known realities such as "Industrial Paternalism" and Welfare "Capitalism" also accompanied the American industrial revolution and contributed to hiding some of its major corporate structural flaws, making it thus a far more complex process than a simple Manichean system driven by "evil industrialists". Using pertinent examples to illustrate the content and meaning of industrial paternalism and welfare capitalism as well as their congruences and differences, this text contextualises their development,

showing how the “new private deals” provided by many large American stock-listed corporations to their workforce between the 1920s and the 1970s contained harbinger signs of the same deals’ future demise, as well as that of the Welfare State in its American version.

**Alain Cortat**, *Paternalism or paternalisms? The example of Société anonyme des câbleries et tréfileries de Cossonay, Switzerland, 1898-1980*: The purpose of this chapter is to discuss the chronology of paternalism. Gérard Noiriel presented a two-stage chronology for paternalism, specifying for each stage its characteristics along with the evolution of the industry, its requirements and its workings. Noiriel set up an analytical grid to clearly differentiate between the different types of paternalism: the concept of patronage in the 19th century and, using Donald Reid’s term, of industrial paternalism in the first half of the 20th century. Based on his analysis, we have divided paternalism into two phases: 19th century patronage and industrial paternalism (itself divided into two periods). We call the first phase “personal industrial paternalism” and the second “organised industrial paternalism”. We have examined the defining characteristics of each phase in order to draw up an analytical grid and model that can be applied to other cases by chronologically adapting them to suit different countries, industrial sectors and companies. Our hypothesis is based on the idea that companies founded at the end of the 19th and the beginning of the 20th centuries had no experience of patronage or even of a simplified version of it, but began with a form of intermediary industrial paternalism – what may be called personal industrial paternalism. We will analyse the case of the *Société anonyme des Câbleries et Tréfileries de Cossonay* as a relevant case study.

**Pierre-Yves Donzé and Laurence Marti**, *Paternalism in an era of Taylorism and centralism: The example of a Swiss SME watchmaker, Aubry Frères*. Paternalism has primarily been associated with late 19th century industrial development and the existence of large firms or “company towns”. But several small Swiss watch-making firms had already introduced paternalistic measures as early as 1950 in a very different context. It came when these firms were taking steps to streamline production and institutionalise social relations between employers and workers. Unlike elsewhere, paternalism here cannot be linked to any tradition or even to the desire to resist trade unions. The introduction of such measures, which appears at first paradoxical, is illustrated here with a specific example. It was a key component in the modernisation of the Swiss watch-making sector during the post-war boom and helped redefine the role and image of watch-making employers of the time in a context of centralisation of social relations at the national level.

**Jean-Marc Figuet** and **Bernard Sionneau**, *Boosting, then trampling the Moral Contract: How financialised globalisation gave birth to "Corporate Social Irresponsibility"*. "Industrial paternalism", "welfare capitalism" and "corporate social responsibility (Act I)" were useful managerial concepts and practices adopted by major publicly traded US corporations in order to counteract the harshness of 19th century US industrialisation and soften the impact of the Wall Street crash (1929) and the Great Depression. However, while the "stakeholder model" contained in those practices was decisive in fostering a "contagion of prosperity" in the United States between the 1930s and 1960s, the financialisation of corporate strategies born of the 1970s stagflation, monetary, oil and industrial crises, rapidly emptied CSR of any tangible meaning. As a host of ever bigger and more dire corporate and banking scandals accompanied the victory of the "shareholder model", the non-questioning of these major managerial mishaps by most academic CSR supporters contributed to the discrediting of both the CSR concept and its later associated practices (Act II), as well as the capability of these amorally functioning, large, stock-listed corporations and their leadership to ever re-commit themselves to the stakeholder model and behave as "globally responsible citizens".

**Isabelle Daugareilh**, *Corporate social responsibility, a stalled European project*. The issues of corporate social responsibility are determined, between intention and reality. But the process was somehow disappointing in the field, with what seems to be a missed opportunity for a European legal regulation for CSR. An assessment of the mixed experience of CSR self-regulation by European enterprises can be delivered, with limitations relating to the nature of self-regulatory standards, to the implementation of self-regulatory standards, and to the ambivalence in the content of the standards and of the penalties of the standards.

**Hubert Bonin**, *Argument: Is welfare capitalism still within companies or out of their reach? Good practices versus corporate communication*. Despite numerous obstacles to the renaissance of some forms of paternalism – among which are the accumulation of systemic crises and the new configuration of the productive system – some attempts to reinvent paternalism can be picked up, through the establishment of new paternalist islets. But the main trend lies with the schemes in favour of a "societal paternalism". A fad of projects around this set of values took shape, but was troubled by the stakeholders' disillusionment within the community of values. And one can consider that those new forms of paternalism were absorbed by corporate social responsibilities. This opened the door to a new fad of corporate foundations with a social mission, which has stirred fresh debate regarding corporate social responsibility.

## **PART I**

### **“OLD PATERNALISM” RECONSIDERED?**





# Industrial Paternalism and Social Development

## The Commitment of the Community of Businessmen in Alsace

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Alsace's phenomenal social development within the context of continental Europe up to the end of the 19th century has caught the eye of contemporary scholars and given rise to a large body of research.<sup>1</sup> This development was partly the result of its early industrialisation. Mulhouse's industrial growth in the second half of the 18th century attracted a number of enterprising immigrants from Switzerland and Germany who found themselves cut off from their village bases and exposed to all types of social risks. The traditional institutions which had been set up since the Reform to disburse various forms of assistance had been quickly overwhelmed. And it was within the enterprises

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<sup>1</sup> See Eugène Véron, *Les institutions ouvrières de Mulhouse et des environs*, Paris, L. Hachette, 1866. Roger Dumon, *L'intelligence en face de la race. L'expérience de l'Alsace*, Paris, Plon, 1926. Fritz Jaffé, *Zwischen Deutschland und Frankreich. Zur elsässischen Entwicklung*, Stuttgart/Berlin, J.G. Cotta, 1931. Marie-Madeleine Kahan-Rabecq, "Les idées politiques et sociales des industriels alsaciens en 1848", *L'Alsace française*, XXXII, 10 May 1937, pp. 125-129; and *La classe ouvrière en Alsace pendant la Monarchie de Juillet*, Lettres PhD, Paris University, 1939. Simone Lazarus, *Les origines des œuvres sociales dans la région mulhousienne*, Law PhD, Paris University, 1938. Marie-Joseph Bopp, "L'œuvre sociale de la haute bourgeoisie haut-rhinoise au XIX<sup>e</sup> siècle", in *La bourgeoisie alsacienne: études d'histoire sociale*, Strasbourg, F.-X. Le Roux, series "Publications de la Société savante d'Alsace et des régions de l'Est", 1954, pp. 387-402. Francis Hordern, *L'évolution de la condition individuelle et collective des travailleurs en Alsace au XIX<sup>e</sup> siècle (1800-1870)*, Economics PhD, Paris University, 1970. Stephan Jonas, *La Cité de Mulhouse*, Social Sciences PhD, Strasbourg II University, 1976. Sandrine Kot, *Politique et conceptions sociales de la Société Industrielle de Mulhouse, 1827-1870 ou le calcul philanthrope*, Paris X master dissertation, 1982. Patrice Bonnewitz, *La perception du monde ouvrier par le patronat haut-rhinois sous le Second Empire*, Strasbourg II dissertation, 1984. Marie-Claire Vitoux, *Paupérisme et assistance à Mulhouse au XIX<sup>e</sup> siècle*, History PhD, Strasbourg II University, 1984, Association des publications près les Universités de Strasbourg, 1986.

themselves that new initiatives had to be taken to meet the challenges posed by industrialisation.

## **1. A business commitment shared by common interest**

Far from being limited to a few “enlightened” employers or companies who build their own social and economic space into so many islets of progress, Alsatian capitalists shared common values and practices that helped set up a support network spread over the entire region. The generosity of Alsatian employers was not a little moulded by the hope of inculcating a capitalist spirit within all strata of the population. Their social ventures were meant not only to help but also to instruct and moralise. The spirit of rationalism which spread over the Mulhousian upper middle class towards the end of the 18th century only served to reinforce this trend. Thus, the stage was set for the new generation of managers at the beginning of the 19th century to alleviate local poverty by educating the population and boosting its morale. The spirit of enterprise in the various industrial cities and valleys (on the eastern slope of the Vosges and around Mulhouse and Strasbourg especially) expressed itself not only by innovative production methods, but also by the crystallisation of a “social model” whose success inspired other French-speaking regions (in France itself between 1871 and 1918). Thus, it would seem that these Alsatian businessmen have contributed greatly to the country’s socio-collective developments which have been the subject of extensive study.

### ***A. The financial extent of the social policy***

Throughout the 19th century, Mulhousian, and Alsatian businessmen in general, gave generously to their region’s social welfare institutions. By the end of the 18th century, Mulhouse already boasted of a large hospital and an orphanage. In the 19th century, the *Société industrielle de Mulhouse* (Industrial Society of Mulhouse), established by Mulhousian manufacturers to oversee their initiatives aimed at the social and economic development of their city, gave away 200,000 francs every year to innovators in both technical as well as social domains (it is true that a part was also given to entrepreneurs). The Workers’ Housing Estates of Mulhouse were founded by Jean Dollfus and Jean Zuber-Karth with a capital of FRF 300,000 which ultimately increased, thanks to a government grant of a similar amount and other contributions, to two million. In 1860, André Koechlin and his wife gave FRF 200,000 for Mulhouse’s old people’s home. As is evident, these donations could, on

occasion, rival industrial investments which, in that era, could amount to several hundred thousand francs in building and machinery.<sup>2</sup>

### ***B. The conception of an aid programme***

The foundation, on 6 January 1809, of the Masonic lodge of Perfect Harmony (*Loge de la Parfaite Harmonie*), concretized the moral and philanthropic principles of its members who undertook to “spread kindness, study morality and practice virtue”.<sup>3</sup> The lodge recruited massively from among the region’s industrialists<sup>4</sup> and became, at the end of the Napoleonic First Empire and the beginning of the Restoration, a hub of social and civic initiatives. In 1810, Nicolas Koechlin established the *Établissement de Secours et de Charité de Mulhouse*. In 1813 he ensured, by a personal guarantee of 200,000 francs, the supply of essential commodities to Huningue. During the food shortage in the spring of 1817, the *Loge de la Parfaite Harmonie* set up an extraordinary committee which, for the next seven months, oversaw soup kitchens and the transport and distribution of wheat.

Such initiatives continued to increase after the end of the Restoration. In addition to the policy of assistance practiced by the city’s Department of Charity towards the destitute, the wives and daughters of the region’s industrialists also got into the act, and ran their own charitable organisations. They met on several afternoons every week to oversee sewing works and administer the charitable committees which looked after the distribution of aid to the “truly needy”. In 1854, under the leadership of Nicolas Koechlin’s wife, these committees were reorganised into several *sociétés de patronage*.<sup>5</sup>

Moreover, to this was added a gradually increasing corporate aid to workers. It was channelled through the enterprises so as to avoid

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<sup>2</sup> See Raymond Oberlé, “Santé et assistance à Mulhouse à la fin du XVIII<sup>e</sup> siècle”, in *Médecine et assistance en Alsace: XVI<sup>e</sup>-XX<sup>e</sup> siècles: recherches sur l’histoire de la santé*, Strasbourg, Librairie Istra, series “Publications de la Société savante d’Alsace et des régions de l’Est, Grandes publications, 11”, 1976. Louis Reybaud, *Le coton, son régime, ses problèmes, son influence en Europe: nouvelle série des études sur le régime des manufactures*, Paris, Michel-Lévy frères, pp. 275-276. Marie-Claire Vitoux, *op. cit.*, p. 105.

<sup>3</sup> See Auguste Klenck, *Parfaite harmonie, O @ de Mulhouse, Loge funèbre. 23 décembre 1864 [discours funèbre prononcé par F @ Klenck]*, Mulhouse, Imp. P. Baret, s.d., p. 3.

<sup>4</sup> Paul Leuilliot, “Bourgeoisie d’Alsace et franc-maçonnerie aux XVIII<sup>e</sup> et XIX<sup>e</sup> siècles”, in *La Bourgeoisie alsacienne: études d’histoire sociale*, Strasbourg, F.-X. Le Roux, series “Publications de la Société savante d’Alsace et des régions de l’Est”, 1954, p. 363. As for the rest, it was within the *Loge de la Parfaite Harmonie* that the idea to establish the *Société Industrielle de Mulhouse* was mooted in 1812 (*ibidem*, p. 365).

<sup>5</sup> See Marie-Claire Vitoux, *op. cit.*, pp. 107-108.

attracting beggars from Mulhouse's neighbouring regions. The risk of having a flood of people descending on Mulhouse with the aim of living exclusively off its social welfare was such that it required a full year's residence within Mulhouse's municipality to be eligible for the town's welfare system. At Lille, the wait was of five years.<sup>6</sup> The reason for these rules was also to encourage, among the poor, those willing to work. One of the constant worries was to make sure that this social aid did not contribute in any way to some of the poor becoming permanent welfare recipients. In 1833, André Koechlin, who was then mayor of Mulhouse, wrote to industrialists: "A pure and simple distribution of more or less merited aid would only encourage idleness, increase begging and, so to say, give it a kind of organisation."<sup>7</sup> Long before the implementation of the Bismarckian labour legislation, Alsatian workers enjoyed a number of benefits such as free medical care,<sup>8</sup> subsidised essential commodities,<sup>9</sup> health coverage and pensions. Still, as regards the last two, the majority of the workers were still, under the *Second Empire*, stuck to the traditional aid system. Except at Schwartz, Trapp & C<sup>o</sup>, where it was obligatory, health insurance was for long the choice of only a minority of Mulhousian workers: only a third of the workforce was covered by the end of the July Monarchy. But in other industrial centres of France, such as Lille, the proportion was much smaller. As regards pension funds, despite employer participation (1 per cent of the wage bill in 1853 to Mulhouse's pension fund, which united all the funds of the city's enterprises), only a small minority of workers subscribed to it under the Second Empire.<sup>10</sup>

### ***C. Fostering childhood and encouraging education***

Special attention was given to child care. Here, religious convictions exerted a clearly visible influence: it was among the Protestants that one saw for the first time some attention being given to early infancy: a period seen not as some empty time preceding the age of reason, but as a phase of life in which the individual talents needed to be cultivated without delay. Child care from earliest infancy also formed an important part of the fight against poverty. A contemporary author, Eugène Véron, summed up the child care principles in Alsace thus: "The surest way of cutting short misery and preventing it from continuing is to protect the children and the youth from being infected by the vices which are

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<sup>6</sup> *Ibidem*, p. 67.

<sup>7</sup> *Ibidem*, p. 166.

<sup>8</sup> *Ibidem*, p. 204.

<sup>9</sup> Charles Grad, *Études statistiques sur l'industrie de l'Alsace*, tome II: *Institutions industrielles, questions ouvrières*, Colmar, E. Barth, 1880, p. 288.

<sup>10</sup> Marie-Claire Vitoux, *op. cit.*, p. 195, p. 214. Francis Hordern, *op. cit.*, p. 415.

ruining our workforce.”<sup>11</sup> It was in Alsace that the first nursery schools, called “*salles d’asile*”, were established. The very first was founded in Mulhouse by Nicolas Koechlin in 1834. Some twenty years later, his widow set up the first *Kindergarten* (*jardin d’enfants*) based on the pedagogic methods invented by Friedrich Froebel. Meanwhile, Sunday schools and evening classes for the young workers had begun to multiply from as early as 1828, while the number of handwork schools began to grow from 1842 onwards.

It is from this perspective that we must look at the initiatives taken by Alsatian employers regarding the child labour law. The attention given to this problem by the *Société industrielle de Mulhouse* since its very founding<sup>12</sup> was due more to a drive for instilling education at all levels of the population than to the desire of preventing young children from being subjected to hard labour. In every law they proposed, these Alsatian industrialists made sure to include a clause which would obligate employed children to attend school.<sup>13</sup> Though there is no doubt that education would have a positive impact on the quality of the workforce, it does not follow necessarily that this was their primary aim. Right from the beginning of the *Monarchie de Juillet* regime in the 1830s, the firm of Nicolas Schlumberger & C<sup>o</sup> had taken the measures recommended by the *Société industrielle de Mulhouse* regarding the reduction of child labour and compulsory education. Jean-Jacques Bourcart and Nicolas Schlumberger, joint owners of the company, were among the most ardent supporters of a compulsory education for all. Nicolas Schlumberger also financially supported the founding of the *École normale protestante d’institutrices de Strasbourg* and the *École normale primaire de Colmar* to train future elementary school professors. He was also president of the canton’s Department of Public Education.<sup>14</sup> Meanwhile, other entrepreneurs, often from the second generation of industrialists, such as Joseph Blech, Jean-Jacques Ziegler-Blech, Nicolas Schlumberger, Hartmann Schlumberger-Schouch, and Abraham Meyer-Zurcher established a free primary school for the poor in 1808, which was run by Georg Tobler, a disciple of Johan Heinrich Pestalozzi.

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<sup>11</sup> Eugène Véron, *op. cit.*

<sup>12</sup> Jean-Jacques Bourcart, “Mémoire sur la nécessité de fixer une limite à l’âge des enfants et à la durée de leur travail”, *Bulletin de la Société industrielle de Mulhouse*, 1, 1828, pp. 325-328.

<sup>13</sup> Société industrielle de Mulhouse, *Pétition à la Chambre des députés*, Mulhouse, 1840. “Projet de loi relatif au travail des enfants”, *BSIM*, XIV, 1841, pp. 16-150.

<sup>14</sup> Louis-René Villermé, *Tableau de l’état physique et moral des ouvriers employés dans les manufactures de coton, de laine et de soie*, Paris, J. Renouard, 1840, tome 1, p. 37. Paulette Teissonnière-Jestin, *Itinéraire social d’une grande famille mulhousienne: les Schlumberger de 1830 à 1930*, Dissertation, University of Limoges, 1982, pp. 47-48.

#### **D. Developing workers' housing**

Ethical considerations governed the construction of workers' accommodation. Alsatian entrepreneurs systematically opted for the single-family home. In the 1840s, André Koechlin in Mulhouse and Jean Zuber-Karth on l'Île-Napoléon area built individual rental houses. Achille Penot, who had been requested by the *Société industrielle de Mulhouse* to draw up a report on workers' accommodation in 1851, had this to say regarding residential buildings: "Familiarity breeds contempt."<sup>15</sup> The constitution of the *Société mulhousienne des cités ouvrières* as laid down by Jean Dollfus and Jean Zuber-Karth on 10 June 1853, allowed for the immediate construction of a set of hundred individual, single-storied houses spread over eight hectares. Fifteen years later, this township comprised of 920 houses and 6,550 residents, a common building for the unmarried, a hall, a dispensary, a bathhouse, a washhouse, a bakery, a canteen and a grocery store.<sup>16</sup> The company's sizeable initial capital (two million francs were collected within a few years) allowed extremely reasonable home ownership rates of some tens of francs as monthly instalments.<sup>17</sup> But actually even these rents proved too high for the poorer workers and the township was populated mainly by the better paid employees.

Basing themselves on the Mulhousian model, a number of entrepreneurs built workers' townships all over Alsace under the Second Empire: Jean-Jacques Bourcart at Guebwiller, Aimé Gros at Wesserling, Antoine Herzog at Colmar, Jean-Christophe Dieterlen and Gustave Steinheil at Rothau, Albert de Dietrich at Mouterhouse, Guillaume Goldenberg at Monswiller,<sup>18</sup> etc. The aim of these constructions went well beyond the simple material advantage given to its beneficiaries. In the minds of their promoters, these houses would bring about a transformation in the mindset of the poorer strata of the population: the individual house would promote domestic stability, the home ownership

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<sup>15</sup> Achille Penot, "Projet d'habitations pour les classes ouvrières", *Bulletin de la Société industrielle de Mulhouse*, XXIV, 1852, p. 134.

<sup>16</sup> Eugène Véron, *op. cit.*, p. 213. Stephan Jonas, "La Cité de Mulhouse", in *Atti del Secondo Congresso Internazionale di Storia Urbanistica*, 1977, p. 220.

<sup>17</sup> The applicants for home-ownership were whetted and selected over a probation period. Elisabeth Millet, Bernard Woehl, Patrick Watier and Karine Stebler, "La passion de la propriété: songes et mensonges du patronat au XIX<sup>e</sup> siècle", in *L'habitation unifamiliale et ses mythes*, actes du Colloque international de recherches universitaires, Strasbourg, 17-19 octobre 1980, Strasbourg, Université des sciences humaines; Unité pédagogique d'architecture, 1983, p. 17.

<sup>18</sup> Jean-Jacques Baltzer, *Église, monde ouvrier, patronat: les débuts de la paroisse de Monswiller au XIX<sup>e</sup> siècle*, master dissertation, Strasbourg II University, 1977, tome 1, p. 20.

scheme would encourage savings and a little gardening would keep the worker away from the cabaret.<sup>19</sup> Thus, the construction of these workers' townships formed part of the effort at moral reforms which also included encouraging savings and the fight against social ills. In 1826, the *Loge de la Parfaite Harmonie* set up a committee of ten members to work towards organising a public savings fund following the example of the ones in Great Britain and Switzerland. This initiative culminated in the creation of the *Caisse d'épargne de Mulhouse* (a savings bank) in 1831; but it drained the deposits of the low-income section of the population and met with little success among the manufacturers' labourers.

### ***E. A moral reform policy***

With strong moralising intentions, the *Société industrielle de Mulhouse* sent, right from its inception, three successive petitions to the Parliament asking for a ban on lotteries<sup>20</sup> and, under the Second Empire, thought seriously about curtailing night work as it led to extramarital affairs.<sup>21</sup> It encouraged gymnastic clubs, choirs and "temperance cafés" where only non-alcoholic beverages were served. In 1870, on Jules Siegfried's initiative, it established the *Cercle mulhousien*, a grand leisure club for the workers, where they could read, play music or participate in various sports.<sup>22</sup> It was with reference to all this that Émile Boissière said:

We have managed to instil good habits, solid family values and fiscal responsibility in a number of people who lacked them, and, as the good is as contagious as the bad, in a few years we have brought about a revolution in terms of order and good sense.

We will let this author keep his conviction while noting that he gives no supporting evidence whatsoever. But his words do embody the most cherished ambitions held, till the end of the 19th century, by the Alsatian heirs of the *Esprit des Lumières* (Enlightenment spirit).

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<sup>19</sup> Patrice Bopp, *La perception du monde ouvrier par le patronat haut-rhinois sous le Second Empire*, dissertation, Strasbourg II University, 1984, tome 1, p. 225. Achille Penot, "Les Cités ouvrières du Haut-Rhin", *Bulletin de la Société industrielle de Mulhouse*, XXXIII, 1865, p. 393.

<sup>20</sup> Sandrine Kot, *op. cit.*, p. 44.

<sup>21</sup> Achille Penot, "Rapport sur la nécessité d'interdire le travail de nuit dans les manufactures, sauf dans quelques cas exceptionnels", *Bulletin de la Société industrielle de Mulhouse*, XXIV, 1852, p. 86.

<sup>22</sup> Jules Siegfried, "Mémoire sur les cercles d'ouvriers", *Bulletin de la Société industrielle de Mulhouse*, XXXVIII, 1868, pp. 859-879.

## **2. Beyond paternalism: Creating jobs by a progressive and enterprising capitalism**

Having concluded in advance that the social initiatives begun by the Alsatian businessmen could be easily explained as a simple ploy to forestall labour unrest, most modern historians have neglected the other domains in which the philanthropic spirit of the wealthier Alsatians has played such a decisive role.

### ***A. Investing in public infrastructure***

It was the Alsatian employers who first took interest in public works, both at the local and national levels, and it was clearly not limited to the constituencies where their group members had been elected to office. The financing problems posed by Mulhouse's rapid growth were solved in part by private donations. The free transfer of property and the voluntary underwriting facilitated the laying of new roads and the construction of bridges and public parks.<sup>23</sup>

A same process occurred when it came to laying the first major railroad on the continent, on the Strasburg-Basle axis. Its importance to Mulhouse, Alsace and France was very much on the mind of its promoter, Nicolas Koechlin who, with a fortune of 6.5 million francs, was the richest man in Alsace.<sup>24</sup> This project would give the region a whole new industry, the construction of railroad equipment, and facilitate the transit of goods between Switzerland and the North Sea. In 1835, Nicolas Koechlin recalled his son who had embarked on a diplomatic career and had him join his cousin André Koechlin who was into the manufacture of machinery. A year later, he also got him married to one of André's daughters. It was then that the firm of André Koechlin & C<sup>o</sup> also began the manufacture of locomotives. Nicolas Koechlin was enthusiastically encouraged in his projects by the French Minister of

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<sup>23</sup> Louis Reybaud, *op. cit.*, p. 92. Société industrielle de Mulhouse, *Histoire documentaire de l'industrie de Mulhouse et de ses environs au XIX<sup>e</sup> siècle*, Mulhouse, V<sup>ve</sup> Bader, 1902, pp. 144-147.

<sup>24</sup> Nicolas Koechlin, along with his brothers, built his fortune in the fabric printing industry under the Empire and the Restoration. He bought several estates including Wittelsheim and Hombourg as well as eleven houses in Mulhouse. The family business was divided in 1835: Nicolas, his brother Édouard and nephew Carlos Forel inherited a mill (*Cour de Lorraine*) and a spinning and weaving facility in Masevaux and the three partners set up the firm of "Nicolas Koechlin and brothers". In October 1836, they joined together to form a civil company and collectively invested the remainder of their share of the family business into 3,000 hectares of forestland at Bonnefontaine, in the canton of Drulingen. Nicolas Koechlin's share in all this can be evaluated at this time, based on notarial deeds, at more than FRF 6.5 million. See Isabelle Guerquin, *Nicolas Koechlin ou le chemin d'une fortune*, dissertation at Strasbourg II University, 1985.



Public Works. When it was heard that *Grand Duc de Bade* proposed to construct, with government funds, a line from Mannheim to Basle, the Minister wrote to Koechlin:

The *Grand Duc* must be told. A railway line must be laid in Alsace. With your numerous relations in the region and your knowledge of the terrain, you are better placed than anyone else to serve your country. You must once again give proof of your devotion.<sup>25</sup>

On 10 October 1837, Koechlin asked for the contract of the Strasbourg-Basel line; it was granted in March 1838. But, mightily pleased at the prospect of an entirely private source of funding, the French government did little to raise the 42 million francs required for the project. Koechlin was left to fend for himself and began by creating a limited company, the *Compagnie du Strasbourg-Bâle*. In a bid to boost the sale of its shares while minimising the risks, he had the firm of Nicolas Koechlin and Bros take up all the work on contract basis: any budget overrun would be borne by the latter. In spite of this, the public shunned the company's shares and their value dropped by a half. Finally, Koechlin was obliged to underwrite, along with his brother and nephew, 40 per cent of the sum by borrowing from Basle banks and hypothecating almost all his assets.

The Chamber of Deputies refused to give him a guaranteed interest of 3 per cent, which could have boosted the sale of shares (an arrangement which would subsequently become the norm all over Europe for the construction of railway lines) and the deputies who took part in the debate did not hesitate to rebuke him for having taken excessive risks. Ultimately, when he failed to repay the debts incurred, he was forced to liquidate 85 per cent of his fortune. Thus, Koechlin's foray into railways would seem to be essentially a philanthropic act which devoured the best part of his personal fortune, not to speak of that of his close associates.<sup>26</sup> It would be eleven years before Baden would get its own railway line going towards Switzerland. The attention showered by Mulhouse' rich businessmen on improving their city and their desire to turn it into a model town was the continuation of the strong attachment felt by Mulhouse's ancestral patricians for their small town. The same

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<sup>25</sup> Cour de Cassation, Chambre civile, audiences des 16 et 17 juin 1840, quoted by J. Le Pellec, *Notes de recherches sur les grands notables de Mulhouse*, dissertation at Strasbourg II University, 1969.

<sup>26</sup> Michel Hau, "Le difficile financement du Strasbourg-Bâle", in Michèle Merger and Dominique Barjot (eds.), *Les entreprises et leurs réseaux: hommes, capitaux, techniques et pouvoirs, XIX<sup>e</sup>-XX<sup>e</sup> siècles: mélanges en l'honneur de François Caron*, Paris, Presses de l'Université de Paris-Sorbonne, series "Mondes contemporains", 1998, pp. 393-399.