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Recension

Book Review

Modern Manors: Welfare Capitalism Since the New Deal

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The essence of welfare capitalism is the notion that business will take care of its workers, whether for dross self-interest or moral enlightenment. The security and stability sought by workers might be best provided by their employers rather than by organized labour or government. There has been a tendency in American industrial relations to treat welfare capitalism as if it flourished in the 1920s, and died abruptly during the Depression. Sanford M. Jacoby presents a unique reexamination of this thesis in light of evidence that a number of major companies continued to practice welfare capitalism (albeit in a slightly transformed guise) throughout the twentieth century. Though welfare capitalism is evident in American industry practices today, scholars have neglected its vibrant antecedents and have failed to provide a broader ideological context for the current fascination with allegedly “new” forms of work design and “strategic” human resource practices.

Jacoby makes three important contributions. First, he argues that workers who were “indifferent or unresponsive to unions are invisible in much of the scholarship on American labor history.” By studying those workers and companies that remained nonunion, he reveals the complex entanglements that lessened the lure of unionism.

Second, he provides insights into management and its thwarting of orga-

nized labour which must be evoked more often to trace the rise and fall of U.S. labour in the pre-1980 period. The American managerial tradition of anti-unionism forms another component to the American exceptionalism argument that usually is reserved for the study of unions. He writes that “employer exceptionalism remains a relatively unexamined counterpart to the labor exceptionalism about which scholars have written so much.” In our field, we are accustomed to factoring-in management opposition as a compelling explanation for the contemporary fall of U.S. union density, but the argument made by Jacoby is that there has been scholarly neglect of the impact of managerial practices throughout the century. Jacoby asserts that welfare capitalism was a “distinctively American answer” to the question of how labour and management could achieve harmony. He argues that employer policies as well as worker attitudes set a ceiling on unionization during labour upswings, and “hastened the erosion of unionism during downswings.” In other words, over time, labour growth is an uphill struggle in the U.S., while labour falls achieve huge momentum.

The third contribution is his contention that quite aside from the early and ardent practitioners of welfare capitalism about which there is already a large body of scholarship, there has been a resurgence of the movement throughout the 1960s and 1970s. The tech-

niques of welfare capitalism are extraordinarily well-suited to the contemporary emphasis on high commitment, employee participation, and teamwork. There is nothing new under the sun, and Jacoby proves it.

The evidence that forms the heart of the book is an intensive longitudinal investigation of three companies through private archives and the management literature of the day. The selection of cases is brilliant in that they are so significantly divergent in most aspects that it is difficult for any reader to propose that welfare capitalism was anything other than a major and well-diffused ideology. The Eastman Kodak chapter explains why the company developed an enduring commitment to innovative and largely untested practices such as profit-sharing, long before such practices were popular. Over the decades, there was little competition in its core product markets, and it operated in a relatively stable milieu. By contrast, Sears Roebuck's environment was turbulent, and it faced concerted union organizing. The most interesting portion of the Sears chapter was the company's use of management consultants and the development of its famous survey program. The discussion of the relationship between wide-scale corporate attitude testing and union avoidance is superb. The Thompson Products (later TRW) chapter describes a grittier industry, and a company determined to provide excellent working conditions for its workers at the same time as refusing to tolerate union incursions. In each of the three companies, welfare capitalism came with a significant price tag attached: wages and benefits matched, and more often exceeded, the normal compensation levels of competitor companies.

The crux of the transformation to what Jacoby calls "modern" welfare capitalism, was the elimination of the coercive drive system and its replacement with procedural fairness, the soft-

ening of command and control structures by a type of routinized paternalism that allowed employees to voice their concerns and have greater input, and the professionalization of the corporation to include both an introspective focus on self-improvement and a strong public lobbying face. For a variety of reasons, both achingly simple (e.g., union avoidance) and deviously complex (e.g., distributing shares widely among employees to avoid anti-trust accusations), corporations found it to be in their interests to convince employees, through both corporate word and deed, that workers and their employers shared an overwhelming unity of purpose. Corporations also entered the political stage with vigour to defend their interests (particularly during the Taft-Hartley enactment period).

Jacoby raises some perplexing questions. Is welfare capitalism a "good fit for a distinctive American environment composed of large firms, weak unions, and small government?" Can welfare capitalism really ever be an alternative to liberalism and labourism? Jacoby suggests that for some innovative firms, it is, but on the larger American stage, he hedges his bets. The problem is that welfare capitalism seems to require strong reactive and anti-union elements to reinforce its longevity and aid in its diffusion. The energy that stokes the nonunion model is a viable union threat, as anti-unionism is a compelling motivator for employers who otherwise would sit on the fence. For example, both Irving Bernstein (in *The Lean Years: A History of the American Worker 1920-1933* published in 1960) and Robert Ozanne (in *A Century of Labor-Management Relations at McCormick and International Harvester* published in 1967) concluded that welfare capitalism was primarily a union avoidance and/or substitution scheme. On the other hand, Stuart Brandes (in *American Welfare Capitalism 1880-1940*, pub-

lished in 1976) and Lizabeth Cohen (in *Making a New Deal: Industrial Workers in Chicago, 1919-1939*, published in 1990) provide evidence that welfare capitalism was popular with workers, and motivated by significantly more employer altruism than its critics concede. Jacoby's case studies capture both perspectives. The puzzle for readers is to determine whether welfare capitalism is anything more, for most employers, than a countervailing strategy to acceptance of modern union-management relations. Can modern American welfare capitalism thrive in the absence of a union threat effect?

The three cases leave us hungry for more evidence. These cases might be what Stuart Brandes has called "curious anachronisms" (1976: 146). What about the firms that abandoned their early commitment to welfare capitalism? And what about firms that completely rejected this approach? Indeed, I suspect that we also could argue and find evidence of an enduring drive system and its modern resurgence. The crumbling of job security has created precisely those conditions that feed the drive system: both blue collar and managerial workers are experiencing quite realistic fear of job loss and being socialized to produce larger output, labour longer hours and train relentlessly with very little incremental compensation, to meet competitive market pressures and maintain corporate profitability for firms at the margins of survival. There clearly are different philosophies and ideologies at play, and the managerial landscape always was, and likely always will be, heterogeneous. For some firms, there is the drive system; for others, there is belligerent anti-unionism; for a third, there is paternal-

ism, and so on. This does not take away from the fact that Jacoby has identified and traced an extremely important cluster of managerial practices over a very long period of time. Readers should be left with a strong urge to explore the proposition that welfare capitalism is alive and well, and possibly more wide-spread than we had thought.

Modern Manors is a sophisticated addition to the American exceptionalism arguments. For Canadian readers, the parallels to our own history are so numerous that I would be tempted to broaden American exceptionalism as applied to the management side of the equation to include Canada. We have a number of home-grown examples of the phenomenon Jacoby describes, including Imperial Oil and Dofasco. It would be fascinating to trace the fortunes of Canada's own welfare capitalism through a political environment which has had much stronger support than in the U.S. for state welfarism.

Jacoby's book is beautifully written, lovingly crafted, and thoroughly researched. It is exquisitely sensitive to the multiplicity of elements that play out in the relations between workers and their employers over time, including the often-neglected impacts of workforce ethnicity and gender, and corporate structure. I recommend it highly and without reservation. For its combination of novel arguments, nuanced insights, rigorous evidence, and a deep appreciation of the phenomenon being studied, this book should set a standard in our field.

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