

# Hired Hands or Human Resources?

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# Hired Hands *or* Human Resources?

CASE STUDIES OF HRM PROGRAMS AND  
PRACTICES IN EARLY AMERICAN INDUSTRY

Bruce E. Kaufman

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*Dedicated to Clarence J. Hicks,  
the "Dean of Industrial Relations Men"  
and  
Chairman of the Board, Industrial Relations Counselors, Inc.*

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## Preface

This is the second book of a two-volume set on the early history of human resource management (HRM) in American industry. The time frame starts in the mid-1870s and extends to the very early 1930s—the beginning of industrialization and an emergent *labor problem* in the former case and onset of the Great Depression and collapse of the welfare capitalism movement in the latter.

Volume 1, published by Cornell University Press in 2008, is titled *Managing the Human Factor*.<sup>1</sup> It presents an in-depth and wide-ranging review of the major people, ideas, trends, and developments that led to the emergence of human resource management in these years as a formally recognized and constituted area of management practice in business firms and field of study in universities. During this historical era, however, people did not use the HRM label to describe the activity of labor management, but two others: *personnel management* (PM) and *industrial relations* (IR). *Managing the Human Factor* gives the “big picture” view of the early development of PM/IR (hereafter abbreviated PIR). Identified and described there are the fourteen roots of PIR (among them, for example, the industrial welfare, scientific management, and industrial democracy movements), a detailed description of the pioneering people who helped create PIR shortly after World War I, and a lengthy examination of the development of PIR in the welfare capitalism era of the 1920s and its implosion in the early years of the Great Depression.

This second volume complements and extends the first with a detailed set of fifteen case studies of HRM over the same time period. The volume is broken into two parts. Part 1 covers the years up to the formal birth of PIR in the World War I period; part 2 covers the period during the 1920s. Together, these case studies provide what is, to the best of my knowledge, the

most extensive and detailed portrait of the organization, practice, policies and methods of HRM before the New Deal.

Part 1 includes nine case studies. Seven cover individual firms, one primarily focuses on a particular firm (the Burlington Railroad) but includes several other firms in the industry, and one—due to absence of firm-level data—covers an entire industry (coal mining). These case studies are assembled from a wide variety of books, dissertations, archival records, academic journal articles, government reports, and magazine and newspaper accounts published both then and now. All are in the public domain, but none have heretofore been used to create tightly focused case studies of HRM. Together, they provide an unparalleled look at what I call the “traditional” or “hired-hand” approach to labor management and employee relations.

Part 2 includes six firm-level case studies, with the first starting in 1923 and the last ending in 1930. The 1920s is the era of welfare capitalism—the period when PIR became consolidated after its birth in the World War I years and developed into a formidable operation in leading corporations. The heart of the new HRM model of the 1920s was a shift from the traditional hired-hand approach to labor management to a new “human resource” approach. However, only two of the six firms in our case studies (an oil firm and steel firm) extensively adopted this new model and occupied a position in the first tier of welfare capitalist firms. A third firm occupied a middle ground, while three others practiced labor management and employee relations in largely traditional ways. The result is a highly diverse but instructive contrast.

The six case studies of part 2 come from confidential consulting reports obtained from the archives of Industrial Relations Counselors Inc. (IRC). IRC is located in New York City, was incorporated in 1926 as a nonprofit research, training, and consulting organization, and was created and largely funded by John D. Rockefeller Jr. Three of the reports used in this book were prepared by the industrial relations staff of IRC’s predecessor organization, the law firm of Curtis, Fosdick, and Belknap. As described in chapter 7, IRC was widely regarded in the pre-World War II era as the nation’s foremost HRM consulting firm, as well as a leader in HRM research (primarily pensions, benefits, and wage-payment systems) and managerial training. The consulting reports, heretofore unavailable to any researcher, undoubtedly provide the most detailed portrait in existence of what HRM programs at American companies looked like in the 1920s.

In the concluding chapter of this book I synthesize from these case studies six “insights and lessons learned” regarding the development of early HRM in American industry. The most important of these is that labor is human and not a commodity—a lesson and insight that was more than any other the foundation stone for PIR as both an intellectual research area and vocational area of business practice.

In closing, I wish to make several acknowledgments and expressions of gratitude. First and foremost my thanks go to Industrial Relations Counselors, Inc. and, in particular, Robert Freedman, president and chief executive

officer of Organization Resources Counselors (ORC) Worldwide; Richard Beaumont, former chairman of ORC and IRC research director, and Roy Helfgott, former IRC president. Without their cooperation and trust this volume would not have been possible. More than that, if I had not developed the relationship with IRC that I have had over the last decade I never would have fully discovered and appreciated the immense contribution that John D. Rockefeller Jr. and his associates such as Clarence J. Hicks made to the field and practice of industrial relations and human resource management.

I also wish to thank Joy Corregge at ORC Worldwide for reviewing the manuscript and offering very useful counsel, and to Sharon Lombardo at ORC Worldwide for her much appreciated archival and library guidance.

Thanks are also due to my colleague Barry Hirsch, holder of the W. J. Usery Chair of the American Workplace at Georgia State University, for a generous financial contribution that made acquisition and printing of the photographs in this book possible.

A thank you also goes to Fran Benson at Cornell University Press for agreeing to take on yet another one of my projects and for helping guide it to a successful outcome. Also appreciated are Brian Bendlin, Susan Specter, and Emily Zoss for helping in all phases of manuscript preparation, and George Whipple for expertly putting together the photo section.

I end with a thank you to my wife Diane and children Lauren and Andrew for sharing our time together so I can work on my other life's love—exploring the world of economics, industrial relations, and human resource management and writing up what I discover in books.



## **Hired Hands or Human Resources?**



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# Early Human Resource Management

## *Context and History*

This book is the second volume of a two-volume set on the roots, birth, and early development of the human resource management (HRM) function in American industry. The story starts in the mid-1870s with the emergence of large-scale industry, an urban-based wage-earning workforce, and a growing *labor problem*, heralded by the Great Railway Strike of 1877; it ends in 1932 at the nadir of the Great Depression when the nonunion welfare capitalism movement of the 1920s is in tatters and its New Deal union replacement lies just over the horizon. Between these two end points lies a remarkable half-century evolution in human resource management philosophy and practice that in cumulative form and effect can only be described as a transformation.

The first volume, *Managing the Human Factor: The Early History of Human Resource Management in American Industry* (2008),<sup>1</sup> presents the “big picture” side of the story with a broad historical account of the people, events, and ideas that together led a small band of innovative, pioneering companies to transform the way they managed their employees. Parading through these pages are the main forces and actors that revolutionized labor management a century ago.<sup>2</sup> Counted in the former, for example, are the welfare, safety, and scientific management movements; the rise of trade unionism and labor law; World War I and the industrial democracy movement, and the invention of the assembly line and mass production; counted among the latter are such “big names” as Henry Towne, George Patterson, Frederick Taylor, Samuel Gompers, John D. Rockefeller Jr., Meyer Bloomfield, Walter Dill Scott, John Commons, Henry Ford, and Clarence Hicks. At the height of the HRM transformation in the late 1920s, labor management at leading companies in the United States had much greater similarity

to what was to follow a half century later (in the 1980s) than to what had already passed a half century earlier (in the 1880s).

This volume complements the first by filling in and rounding out the story with a set of fifteen detailed case studies of early HRM programs and practices in individual companies and industries. The time span is exactly the same as the first volume—the mid-1870s to the early 1930s—but is broken into two distinct parts. Part 1 is devoted to nine case studies that extend through the World War I years, and the six case studies of part 2 cover the 1920s and early 1930s.

This division reflects both historical developments and data availability. Regarding the former, the World War I years effectively separate two alternative regimes of labor management. Prior to the war, nearly all firms utilized the traditional HRM model that relied on a decentralized, informalized, and externalized approach to labor management and frequently treated labor as a “hired hand”; after the war an influential minority of firms pioneered a new and distinctly modern HRM model and transitioned to a “human resource” view of labor.<sup>3</sup> The modern model of labor management featured a centralized personnel management or industrial relations (PM/IR, hereafter abbreviated PIR) department, formal PIR policies and procedures administered by specialized middle managers and staff, and significant replacement of the external labor market forces of supply and demand with bureaucratic administration in an internal labor market. Although the shift from traditional to modern HRM in reality stretched over a number of years, and at many companies never took place at all even by the end of the 1920s, the World War I dividing line nonetheless captures the reality that here occurred a major inflection point in labor management philosophy and practice.

Practical issues of data availability also mandate this two-part division. The nine case studies in part 1 are drawn from diverse sources in the public domain, including books, articles, and government reports written a century ago about labor management practices at these companies and also numerous more contemporary academic works, including unpublished doctoral dissertations and a rather far-flung, cross-disciplinary journal literature. Although all of this material is publicly available and much has been previously published by scholars in bits and pieces, it is nonetheless for the first time drawn together here to form the in-depth case studies you are about to read. The objective with these case studies is to provide a detailed view of how firms—sometimes very large firms with thousands of employees—were able in the late nineteenth and early twentieth centuries to manage their workforces with no organized or formalized HRM system and, indeed, why they thought such a system was “best practice” in light of the conditions and constraints they faced. Also an objective is to examine the strengths and weaknesses of the traditional system, why firms adopted different strategic versions of the traditional model, and why some began to innovate with more modern management methods.

The six case studies in part 2 are of an entirely different character. They are drawn from confidential consulting reports prepared for corporate clients by the industrial relations staff of the New York City law firm Curtis, Fosdick, and Belknap (CFB), which in 1926 was spun off and incorporated as the nonprofit consulting firm Industrial Relations Counselors, Inc. (IRC). Both the CFB labor section and the IRC were closely connected to and financially supported by John D. Rockefeller Jr., who a decade earlier had become greatly interested and involved with promoting more progressive labor management practices.

The consulting reports prepared by IRC were the product of a multiperson investigative team that spent several months doing on-site interviews and fact finding. The completed reports, often of two hundred or more pages and resembling a PhD dissertation, provide an A-to-Z overview and description of each client company's personnel and industrial relations system. Each report starts with a description of the company's labor policy (in certain respects, that era's equivalent of an HRM strategy statement), outlines the organization and structure of the labor management function, and then reviews each area of PIR practice. For this volume I condense each report into a fifteen- to thirty-page summary. These consulting reports, heretofore unavailable to any researcher, provide an unmatched data source on how HRM was practiced at companies both on the leading and trailing edge of labor management in the 1920s.

Case study evidence on the organization and practice of HRM at different companies before the 1930s is rare but available. The largest comparative study of PIR practices across firms is provided by Walter Licht in *Getting Work: Philadelphia, 1840–1950*.<sup>4</sup> Licht uses company archival records from a dozen or more Philadelphia companies to sketch a portrait of the diverse personnel programs and practices that existed among these firms, often with information going back to 1900 and even before. Also notable is Sanford Jacoby's *Modern Manors: Welfare Capitalism Since the New Deal*. Although the bulk of analysis is for the 1930s and afterward, Jacoby's case studies of PIR policies and practices at Kodak, Sears, and TRW begin in the 1920s and provide illuminating insight on the era of welfare capitalism.<sup>5</sup> Then, of course, there are also a number of individual firms' case studies, although often written as part of a larger corporate history or analysis of the unionization and/or deunionization of a company or industry.<sup>6</sup> I draw on many of these for this volume.

With due recognition to what has come before, I think it is nonetheless accurate to say that the case studies of parts 1 and 2 in this volume provide what is to now the most comprehensive and in-depth portrait of HRM practices at American companies during this particular historical era. Besides being of considerable interest in their own right, these case studies provide real life "data points" to illustrate the broader trends and developments highlighted in *Managing the Human Factor*.

## The Case Studies in Historical Context

The full value of these case studies only emerges if they are first grounded in a larger historical context, thus helping to situate them in terms of the broader flow of labor management events and developments. The simplest way to proceed would be to tell readers, “See the first volume, *Managing the Human Factor*.” But this book is over three hundred pages in length and may not be available or of interest to all readers. So, before proceeding further I provide here a very brief and stylized thumbnail sketch of the key parts of the story.<sup>7</sup>

The latter part of the nineteenth century saw the emergence and growth of the modern corporation; large-scale capital-intensive railroads, factories, and mills; and a large urban-based wage-earning blue-collar workforce. Some industrial plants had over 5,000 employees at one site, while megamergers such as the one forming United States Steel brought together under one corporate roof 100,000 or more wage earners.

At first, employers tried to manage their new operations in traditional ways. This meant a highly externalized, informalized and decentralized system of labor management—externalized in that the firm relied mostly on external labor markets and the competitive forces of supply and demand to provide, price, and motivate labor; informalized in that labor management was conducted without benefit of any written policy, formal practices, or professional staff; and decentralized in that top company managers, after establishing the central elements of the labor policy, delegated most operational aspects to plant superintendents, foremen, and gang bosses. Sometimes companies took a paternalistic interest in their employees and treated them with some degree of consideration and respect, sensing that this was not only the ethical but also the profitable thing to do. Most often, however, companies took an autocratic, hard-fisted and “buy low/sell high” approach to labor in which they paid as little as possible, gave minimal attention to working conditions and employees’ needs, used threats and harsh language to extract maximum work effort, and administered all aspect of labor management with unilateral and unquestioned authority. Appropriately enough, this method of managing employees was called the “drive system,” and closely resembled the way cowboys in the latter 1800s drove a herd of cattle to market. Of course, workers are not cattle, but employers could more or less treat them as such because of the huge inflow of unskilled and often illiterate immigrant labor from southern and eastern Europe, frequent periods of recession with large-scale unemployment and crowds of desperate job seekers before the plant gates, and an indifferent public attitude toward the plight of the less fortunate. Personnel and industrial relations departments had no role in this model and, accordingly, could not be found in any American company beyond a one-room hiring office.

Part of the power of case studies is that they help give real world context and feel to the subject under discussion. Toward this end I point the reader to the three “mini” case studies provided in the accompanying boxed examples. They graphically illustrate the generalizations made above regarding the dominating role of supply and demand, the primitive and harsh management of labor, and the stark dangers and inhumanity of work life facing most employees before World War I.

The first, written by economists John Commons and William Leiserson, describes the labor market in Pittsburgh around 1908. Here is a close approximation to the economist’s model of pure competition—a world ruled by supply and demand, where labor is bought and sold in highly competitive conditions, workers have extraordinarily high rates of turnover and mobility, and wages and employment ride the up-and-down escalators of the business cycle.

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### Demand and Supply Rule the Pittsburgh Labor Market

There is everywhere the great ocean of common labor—unprivileged, competitive, equalized—making up from two-fifths to one-half the total. Above this expanse, here and there for a time, appear like waves and wavelets those whom skill, physique, talent, trade unionism, or municipal favoritism lift above the fluid mass. Restless, unstable, up, down, and on, like the ocean, so is the labor of Pittsburgh. From the employment bureau of a huge machine works we learned that in a single year of continued prosperity, 1906, they hired 12,000 men and women to keep up a force of 10,000. And this restless “go and come” is only slightly less with the skilled than with the unskilled, for the foreman of the tool room in the same establishment estimated that to keep up his required force of 100 men possessing the highest grades of mechanical skill, he hired 100 men during the year. The superintendent of a mining property, lacking, however, the exact records of our machine-shop bureau, insisted on the amazing figure of 5,000 hired during the year to maintain a force of 1,000. The largest operator of the District thought this was too high, but said that hiring 2,000 in a year to fill 1,000 permanent positions was not an exaggerated index of labor’s mobility in the Pittsburgh District.

What are we to infer? By minute specialization of jobs, by army-like organization, by keeping together a staff of highly paid regulars at the top, the industries of Pittsburgh are independent of the rank and file. Two-thirds of the steel workers are unskilled immigrants, and thousands of them in their ignorance of English are as uncomprehending as horses, if we may judge by the kind of Gee! Whoa! and gesture commands that suffice for directing them. Specialization, elimination of skill, payment by the piece or premium, speeding up—these are inherently the aims of the Pittsburgh

business men, and the methods that turn out tons of shapes for the skilful workers of other cities to put into finished products. Without its marvelous framework of organization, eliminating dependence on personality in the masses and thereby rendering personality more indispensable in the captains, it would be impossible for Pittsburgh to convert its stream of labor into the most productive labor power known in modern industry. Large rewards for brains—to overseers, managers, foremen, bosses, “pushers,” and gang leaders in descending scale; heavy pressure toward equality of wages among the restless, changing, competitive rank and file—these are the principles which Pittsburgh applies to the distribution of wealth in the production of which she holds supremacy.

These contrasts in the economic scale are scarcely more violent than the ups and downs in the common fortunes of the District. Andrew Carnegie has said of the iron and steel industry that it is a case of either Prince or Pauper. Certainly no staple manufactured article responds so violently to the prosperity and depression of the country as pig iron. So it is with all the industries of Pittsburgh that follow in the train of King Iron. When the Pittsburgh Survey began its work in September, 1907, the Prince was on his throne—full years of prosperity and glorious optimism had been his. Long before September, 1908, Carnegie’s Pauper walked the streets. From every type and class of labor came the report of a year with only half, or three-fourths, or even one-third of the time employed. Hardly another city in the country was hit as hard or stunned as long by the panic as was Pittsburgh. The overwork in 1907 was the out-of-work in 1908.

Excerpted from John R. Commons and William Leiserson, “Wage Earners of Pittsburgh,” in *Wage Earning Pittsburgh: The Pittsburgh Survey* (New York: Survey Associates, 1914), 116–18.

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The second and third mini case studies transition from the external labor market to the “internal” labor market—that is, the management and treatment of labor inside the firm. Here we come face-to-face with horrendous working conditions, callous and arbitrary treatment of labor, and tremendous waste and inefficiency. These case studies are from autobiographies written by two HRM pioneers, Cyrus Ching and Don Lescohier, and recount their experiences and impressions when they entered the blue-collar work world as young men around 1900. (Note that Ching and Lescohier had above-average education and good English skills and thus started a notch or two above the position of unskilled immigrant labor.) Ching and Lescohier went on to become two well-recognized names in the personnel and industrial relations movement of the 1920s—Ching as head of industrial relations at the U.S. Rubber Company and Lescohier as one of the first professors to teach personnel management at an American university, the University of Wisconsin. The three case studies together give a dramatic if depressing sense for what HRM and employment were like in the period before World War I.

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## Recollections of Cyrus Ching and Don Lescohier on Work and Labor Management before World War I

CHING

It is hard now to tell people what things were like when I arrived in Boston in 1900 without my being accused of dreaming. There were no labor-management relations as we know them. A Socialist, Eugene V. Debs, was, in the language of the industrial leaders, still "trying to stir up trouble". The most respected man in the union ranks was Samuel Gompers. But even Mr. Gompers divided labor into two classes, the skilled and the unskilled. And, outside of Mr. Gompers' own cigar-makers, some on the railroads, in the coal mines, the printing and building trades, there were comparatively few union members.

It was a period when the law of supply and demand governed labor relations. And the supply of labor, at least around Boston, ran ahead of demand, with the still heavy flow of Europeans and Canadians into the country. Most of these immigrants were accustomed to little or nothing and they were willing to work for just that. They were handicapped by differences in language and customs. I was one of the "immigrants", but I was fortunate in having more of a community of interest with Americans than, for example, even some of my fellow Canadians, who spoke only French.

It wasn't long before I landed a job as a motorman with the Boston Elevated. The hours were long. The pay was something short of handsome. I was on the so-called "extra list", and my average pay for the first few months was \$7 per week.

My experience in the early 1900's with the working man and management was, of course, limited to the situation on the Boston Elevated Railroad. But I have learned since that conditions of employment on the Elevated were little different from those in most big companies of the country, regardless of the type of business in which they were engaged. The history of employee-employer relations of the company for which I worked was typical of national relations between management and the workers.

The working man, at the time my story begins, and for years afterward, was subjected to long hours, a bare subsistence wage, and terribly bad and hazardous working conditions. The average employer regarded his employees, particularly in the lower ranks, with a sort of callous indifference to their plight which today almost defies comprehension. This was especially true of the larger companies. There were exceptions in the smaller outfits where the employers and their workers grew up together and enjoyed a closer relationship. The individual employee of the larger companies didn't count for much. Those were the days before the United States Supreme Court ruled that a worker was not a commodity, but a human being and must be treated as such. The worker was looked upon as just part of the machinery which kept the company operating and he was treated like that.

If he were injured or totally incapacitated, even in line of duty, he was cast aside and replaced like a broken piece of equipment. There was no workmen's compensation to tide him over. And rare was the employer who gave a tinker's damn what happened to him. If a man was injured on the job, the only remedy he had at that time was recourse to the common law, and when such action was taken, it was met by the "contributory negligence" defense. This defense was, in most cases, very effective in preventing any very large awards being made.

The main objectives of management in those days were to keep the surplus of manpower high and wages low. Even worse conditions in many foreign countries, coupled with an immigration policy in the United States which placed virtually no restriction on entry into the country, permitted managements to realize their objectives. There was a steady flow of manpower for the mills, factories and railroads from other countries. Most people today do not realize that these conditions existed in this country; they were so much superior to the conditions existing in many of the countries from which immigrants came that most people were happy and well satisfied with their changed status in the new country.

Employers and politicians alike didn't have the concept then of the worker and the consumer being identical. They didn't realize, as most of us do now, that if you improve the lot of the working people, you increase the business of the country and improve the lot of all people. In 1914, when Henry Ford established the \$5-a-day minimum wage, it was considered by most people to be extreme radicalism, but it was the first time that the idea of the worker as a consumer began to take hold. There was no recognition or practice of the social sciences as we know them. The immigrants were brought in and dumped. Nothing was done to Americanize them, and many who spoke foreign tongues never learned English. They lived apart from old-line Americans, most of whom were on management's side. This situation prevailed in most New England communities, and also in many other parts of the country.

The social awakening began only after this country became involved in World War I. And it resulted from an economic situation, rather than an improvement of conscience of employers. The war stopped importation of labor and quickened the wheels of American industry. The demand for labor increased. Soon the demand exceeded the supply. In order to retain their workers, employers were forced to raise wages, reduce hours and improve working conditions. This period really marked the beginning of the development of labor relations as we know the subject.

#### LESCOHIER

Working in factories during the 1890's, or indeed, up to the time of the first World War, was very different from working in factories today. In the first place, the method of hiring the unorganized was for foremen to come to the front gate of the plant around 7 a.m., look over the gang of

men congregated outside the gate, pick out men he knew or thought he wanted, or motion to this man or that, without interviewing, to come through the plant gate. It was a good deal like a butcher picking out particular animals from a herd.

When he got as many as he wanted he led them to his department, assigned them their work, with perhaps momentary interviews to find out whether they had any experience in the kinds of work in his department. Ordinarily a man hired in this process did not know what his pay would be until he got his wages on payday. If you asked the foreman that question when you were hired you would, ordinarily, be shown the gate. Complete submission of unorganized workers to the company was the expectation of the Detroit Stove Works. Like hundreds of other common laborers I had heard the foreman say to me: "Put on your coat," which meant that you were fired. You did as he said.

In the basement of the building where I worked at that time was a grinding room. The noise was terrific and the grinding room got its full share of dust. The grinding room was partly below the ground level. It had a row of windows in the outside wall but they had not been cleaned within the memory of man. The only artificial light was old fashioned gas lights, one above and between each pair of grinding wheels. It was in almost complete darkness—say dark twilight—since the gas flames gave so little light. You had to walk slowly and keep a hand out in front of you to avoid falling over a truck handle or other obstruction. One man, I remember, broke his leg by falling over a truck handle in that dark passage.

The employees in that place were all old men, not strong enough any more to do the harder work of most common laborers. They got \$1.25 for ten hours' work in that department.

The stock room where I worked when I was sixteen was a corner partitioned off from the metal polishing department. On the side toward the polishing room were large removable windows which allowed light to come through the stock room to the polishers—who were skilled, union men. The windows also let in the south and southwest summer breezes. The polishers asked to have the windows opened each day during the summer so they could feel those breezes. The company refused. They said some one might climb through and steal things out of the stock room. The polishers went out on strike to force the company to remove the windows. When one union struck, they all did. So a plant with 2500 employees was tied up for three days over this simple grievance. But striking was the only grievance procedure the men had and only the union men had that [700-800 of the skilled workers were in unions; the remainder were unrepresented].

Another case: the only drinking water the company furnished was in large, hexagonal barrels elevated above the floor. Into the barrel they put two or three cakes of river ice from a river receiving the sewage of the quarter of a million people living in Detroit. They attached a couple of tin cups, on chains, to the barrel. At the barrel nearest the stock room the cups

got rusty. The polishers asked for some new cups—price 5c each at retail. The company refused. Another three day strike, over a 10c capital investment. Such strikes occurred again and again throughout the year.

There were a lot of accidents in the stove works—no fatal ones that I know of. But there were emery wheel burns, bad cuts often three or four inches long from the edges of sheets of steel, burns from hot iron in the foundry, loss of fingers or toes. At sixteen years of age one of my duties was first aid for the injured. No one gave me any instructions and the medical supplies consisted of a bottle of oil, some unsterilized waste, and some unsterilized cotton bandage cloth, kept in an ordinary cupboard. I wrapped many bad injuries, such as a loss of a finger, bad cuts, and burns. So for \$7.50 a week I was the medical department of the company in addition to my other duties.

There were no flush toilets in the shops at all—at least none for the shop workmen. The arrangements provided were so primitive that I am not going to describe them.

Excerpted from Cyrus S. Ching, *Review and Reflection: A Half-Century of Labor Relations* (Garden City, New York: B. C. Forbes and Sons, 1953), 3–7; and Don Lescohier, *Don Divance Lescohier: My Story for the First Seventy-Five Years* (Madison, WI: Art Brush Creations, 1960), 32–34.

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As described in *Managing the Human Factor*, the traditional system of labor management had distinct benefits and costs. On the benefit side, for example, it was easy and familiar to implement, entailed very low direct and overhead cost to operate, kept the administration of HRM flexible and in the hands of the managers closest to production, and preserved maximum employer control and power over the workforce. It also seemed to have good strategic fit with the conditions of the time, such as the flood of unskilled immigrant labor, the ongoing shift from skilled craft-type jobs to unskilled or semiskilled machine and assembly jobs, and the freedom enjoyed by most firms from the constraints imposed by unions and labor laws. But there were also downsides. Lack of standards, policies, and administrative staff meant HRM at the shop floor level was often ineptly or haphazardly performed, gave rise to large and not-very-rational differences among workers in basics such as pay rates, work assignments, promotions and terminations, and often contained a pronounced element of arbitrariness and favoritism. Further, the traditional labor management system tended to create a dispirited, low skill, uncooperative, and sometimes rebellious workforce that frequently quit, slacked on the job whenever possible, and looked to unions for protection and advancement.

From these conditions was born a new approach to managing employees. This approach did not appear overnight but took roughly four decades to evolve and only emerged in full form in the decade after World War I. The two most common names given to this new approach were *personnel*

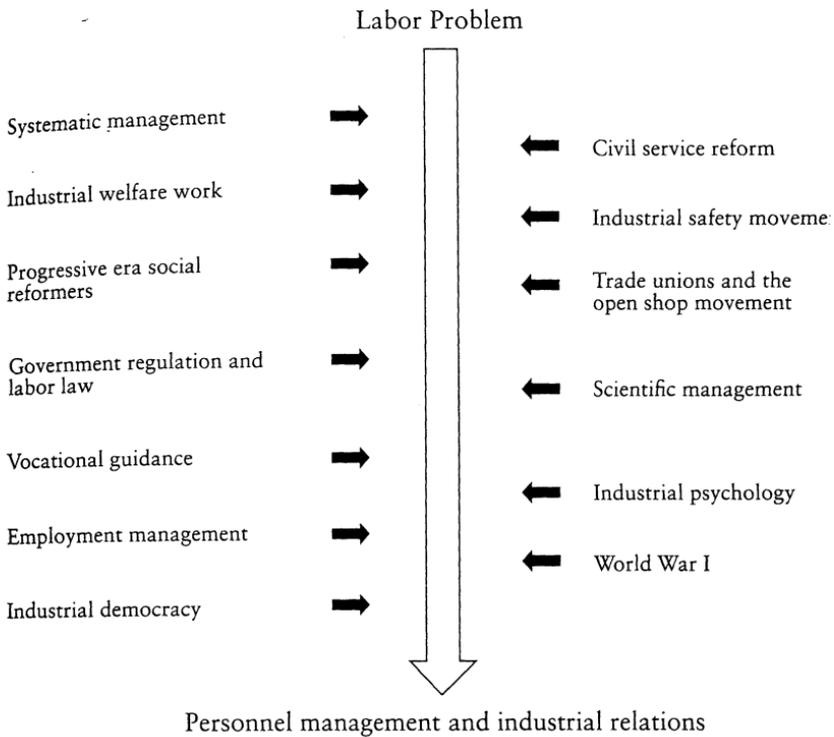


Fig. 1. Events and ideas contributing to the birth of PIR.

*management and industrial relations.* Figure 1, taken from *Managing the Human Factor*, depicts the numerous different events, ideas, and developments spanning the 1880–1920 period that led to the creation of the new PIR function in American industry.

The beginning point of the story is the *Labor Problem*, denoted at that time with uppercase letters. Given the management methods and work conditions described above, the last two decades of the nineteenth century witnessed growing production problems on the shop floor and rise of tensions and hostilities between the bosses and bossed. The rise in workplace tensions was accompanied by the emergence of violent strikes, an aggressive trade union movement, and a plethora of radical political parties bent on overthrow of capitalism and the wage system. The marked deterioration of management-labor relations and rise of anticapitalist agitation became so threatening that many people at the turn of the century viewed the Labor Problem as the number one domestic challenge facing American society.

Companies, workers, governments and interest groups of that period adopted different strategies to the challenge of improving the management of labor and containing the Labor Problem. The thirteen most important streams of development are depicted in figure 1. Many companies chose to stay with the traditional model and deal with their problems with tried-and-true

methods, such as closer supervision and harsher discipline. A number of others, however, began to experiment and innovate—sometimes motivated by the attraction of greater efficiency and profit or a deep-felt sense of moral responsibility and other times pressured by the threat of unions, government legislation, adverse public opinion, and a tight labor market. For example, the systematic management movement—and later the scientific management movement—sought to improve efficiency and gain workers' cooperation through new forms of incentive pay and gain sharing, while socially minded employers adopted new welfare programs and, later, employee representation plans. Also of significance were other developments, such as the safety movement, introduction of civil service reforms in government, and development of industrial psychology. Pushing employers to do better in the way they treated workers were other forces, such as an expanding trade union movement, agitation for laws to protect workers (e.g., child labor, overtime hours, minimum wages, accident insurance), the disturbing evidence presented to the public by social reform investigators and muckraking journalists, and the labor shortages caused by the World War I boom economy.

The companies that chose to stay with some variant of the traditional model continued to view labor as *hired hands*. In this model, labor is a commodity-like factor input that yields profit by utilizing it to get the maximum output for the least amount of pay the market allows. Further, labor is treated as a short-run expense and variable cost to be discharged when no longer needed; given no special consideration or position in the organization; pressured by economic insecurity, administrative control devices (e.g., time clocks), and tough bossing to perform; and instructed to follow orders and work hard while managers take care of running the business and thinking about the future. On the other end of the spectrum, the leading edge of innovative and progressive employers were in the process of developing a largely new and transformative approach that viewed labor as a *human resource*. In this model, labor is regarded as a distinctly human input that yields greater productivity and profit when treated with fairness and respect, as a longer-term member or even “junior partner” in the enterprise, and a valuable “human capital” asset on the firm's balance sheet. Instead of a “buy low/sell high” approach to labor, the firm seeks greater cooperation and improved citizenship behavior from workers by offering good conditions, reasonable security, and opportunities for advancement; making significant investments in selection, training, and workforce governance; providing opportunities for participation and promotion; and tying pay and benefit rewards to good performance and organizational objectives.

Leading up to World War I, the new “human resource” labor management system developed incrementally and in a somewhat ad hoc and piecemeal fashion among a number of diverse companies. These firms were innovative along a number of lines: some started industrial safety programs, while others created employee welfare departments, industrial training programs,

and shop councils; likewise, some adopted gain-sharing and profit-sharing plans while others created labor hiring offices and implemented the first rudimentary employee testing and selection programs. It was only in the years 1917–19, during the height of the World War I–induced economic boom, union surge, and Bolshevik hysteria, that these disparate elements were for the first time brought together in an integrated whole, adopted by leading companies, and given an official name and place in the management hierarchy. The new HRM strategy went under different names but, as noted earlier, the most common were *personnel management* and *industrial relations*. Exemplifying this new approach, in turn, was the creation of new functional PIR departments in firms to organize and administer the management of labor. The organizational details and responsibilities varied from company to company, but typically these new personnel/industrial relations departments put under centralized management control areas such as hiring/recruitment, training, benefits, payroll, safety and health, employee representation, employee magazines, and a plethora of other labor-related matters. Many used these PIR departments to help implement only one or several elements of the human resource approach to labor; a few pioneers, however, endeavored to put in place a relatively integrated and fully developed version.

The coming of age of the new management philosophy and practice of PIR was formally marked by the founding of the Industrial Relations Association of America in 1920 (IRAA), itself formed from the National Employment Managers Association created in 1918. The IRAA had over 2,000 members, most of who were in some way involved in company-level labor management, and the association published a monthly magazine titled *Personnel*. Also in 1920, the University of Wisconsin, under the leadership of economist John Commons, started the first academic program (a “concentration”) in industrial relations, while business consultants and teachers Ordway Tead and Henry Metcalf published the first college PIR textbook, *Personnel Administration: Its Principles and Practice*.<sup>8</sup>

When the crisis years of World War I passed, so did a significant part of the short-term impetus that had propelled hundreds of companies to create PIR departments and give labor and labor management more careful handling and attention. The PIR movement, which in full-fledged form had extended to perhaps 10 percent of the industrial workforce in the war years, suffered significant retrenchment in the next few years, particularly under the weight of the short but severe business depression of 1920–21. Once prosperity returned, however, so did the growth in PIR in terms of both the firms adopting it and the breadth and depth of programs and practices put in place. By the late 1920s, one-third or more of the largest-size plants had a centralized personnel or industrial relations department, while 10–15 percent of the entire nonagricultural workforce was employed in facilities with up-and-running PIR programs.<sup>9</sup> Many other firms adopted individual PIR