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Paternalistic Work Regimes

As working life has become more flexible, the interest in new forms of governance and management has increased – or maybe "old forms in new packaging" is a better expression to describe the situation. Within this field of interest, researchers are using classical concepts of organizational theory, such as industrial paternalism and paternalistic leadership to analyze organizational values, rituals, symbols and heroes (Pellegrini & Scandura, 2008). One might, in line with the reasoning of, for example, Michael Rowlinson and John Hassard (2013), even talk in terms of a culturalist turn in organizational studies. A consequence of this development is that the concept of paternalism seems to be used in different ways and with partly different interpretations. The present special issue aims to provide space for a discussion of the concept's use and its relevance in contemporary organizational studies.

Paternalism, termed welfare capitalism in some contexts, is a term used in organizational theory and management studies, as well as academic disciplines such as anthropology, history, sociology, gender studies and economics. The purpose of this special issue is to highlight the historical and contemporary relevance of the concept. The ambition is that this introduction and the following articles will contribute to an ongoing discussion on the role that historical traditions have in modern, industrial, or post-industrial working life. In absence of a historical or longitudinal perspective, we run the risk of considering paternalism as a historical residual or as just a cultural or political anachronism. Joseph R. Gusfield (1967:354) once aptly stated: "[...] tradition and modernity are indeed misplaced polarities in the study of social change". In this perspective, the way the old is replaced by the new is not just a question of replacement – the old rather lives on in the new. There is a need, therefore, to examine the ways in which, and the conditions under which, traditional notions and beliefs are utilized in contemporary working life research.

Some Socio-Historical Reflections

In a historical perspective there are (among several others) two significant factors associated with 20th century society – the emergence of modern values such as democracy and liberal individualism, and unionization. These modern values can

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mrev, 31 (4) 2020, 395 – 401 DOI: 10.5771/0935-9915-2020-4-395

be observed in a number of areas and mark a clear difference to the past. As a result, we must ask ourselves whether paternalism is an ahistorical concept which is fruitful to apply regardless of context to authoritarian as well as non-authoritarian contexts, or whether there are societal conditions which should be seen as necessary. A key issue in a discussion of whether paternalism is a fruitful concept in studies of contemporary society is the relationship between paternalism and modernization (and, of course, the relationship between paternalism and post-modern production). For example, bureaucratization, a central aspect of modernization, has often been regarded as incompatible with paternalism. Central in the writing of, for example, Max Weber (1968) is the notion that the rational-legal bureaucracy of an industrial society replaces traditional, authoritarian forms of legitimation. In academia, this meant that concepts such as paternalism became a matter for the historical sciences only. However, the picture is not unambiguous and it is reasonable to ask if this contradiction is historically correct or if bureaucratization and paternalism are in fact to be seen as mutually dependent. It may even be that they are distinct dimensions which can vary independently of each other.

The question we must approach is what meaning and content we put into paternalism. One part of the problem is that the concept is used in various scientific disciplines – with partly different theoretical perspectives. Furthermore, we use paternalism in studies of different historical, geographical and social contexts. The purpose of our use of the concept also varies. Sometimes it is used in analyzes of companies' use of various welfare institutions; sometimes it is used in order to analyze the functioning of companies; sometimes it is used to analyze social structures, such as gender order; sometimes it is used to understand ideologies, thoughts and beliefs; and sometimes to understand concrete social actions. The concept is also used differently depending on national contexts, the design of national welfare systems, the strength and conditions of trade union organizations, etc. In organization theory, the concept has been diversified over time and paternalism is no longer just paternalism – depending on the researcher's focus we have to deal with explicit boundaries such as hard vs. soft paternalism; broad vs. narrow paternalism; moral vs. welfare paternalism etc.

Within the framework of an essentially social historical discussion, the British historian EP Thompson (1978) identified paternalism as a problematic concept. Central to his criticism was that paternalism is a loose, unclear and descriptive term. Furthermore, he argued that using the concept in research risks identifying patterns of consensus rather than patterns of conflict. However, a reasonable interpretation of Thompson's point of view is not that researchers should avoid the term, but rather that the concept needs to be filled with empirical content and discussed theoretically.

It can undoubtedly be stated that industrial paternalism is a phenomenon with long historical roots. In early industrial rural contexts, it was common for companies to

provide their workers with corporate-owned housing, firewood or coal, food, health care, schools, a church, social activities etc. The extensive use of these benefits was likely due to an undeveloped market economy and the absence of a welfare state. In this historical context, paternalistic factory organizations assumed the role of the provider of various welfare services. But according to historical research, these paternalistic benefits were more than that. Whether intentional or not they became management techniques, often used to stabilize and control the local work force and create an internal labor market (Norris, 1978). But many scholars give the term paternalism a significantly broader meaning by including a moral relationship between the employee and employer. In this understanding the social relationship between the employee and employer is not just strictly economic. Moral considerations are perhaps not only embedded but rather central to the very idea of the organization. In this "non-economical" interpretation it is not uncommon to make an analogy with the traditional family institution. The owner of the company (represented by the director or manager) is seen as the father – or the head of the organization – and the employees as the children – or the body of the organization (Sankowski, 1985). In this interpretation, the concept of paternalism approaches the closely related concept of patriarchalism.

Seen in this perspective, paternalism implies a culturally and historically legitimized situation characterized by superiority and subordination. But at the same time, it implies an increased emphasis on mutual relationships. The concrete outcome of the paternalistic policy became dependent on personal, mutual bonds that limit the scope for action for both managers and workers (cf. Rousseau, 1989; Shapayer-Makov, 2004).

One way of dealing with Thompson's critical notion that paternalism per se is a harmonizing concept is to add a perspective from the bottom up. This promotes an understanding of the social system from both below and above. In doing so, we interpret paternalism as an expression of power (or balance of power) rather than an exercise of power. From a bottom-up perspective, the content and design of welfare institutions became to some extent, as Richard Price (1984) argues, the result of formal negotiations. Seen in this perspective a paternalistic institution became a benefit that the employees forced upon themselves. An alternative bottom-up interpretation is that paternalism is a system based on unspoken informal contracts between the employer and the employees. Seen in this perspective, paternalism, in some part, becomes a system of negotiations and agreements that might indicate both successful trade union aspirations and good individual bargaining positions. Paternalistic welfare benefits are not to be seen as a gift from the employer (father) to the employee (children) or a management technique, but rather a result of individual or collective bargaining.

A Conceptual Framework

In order to clarify the concept and produce an initial definition, seven characteristics are formulated. This has been done from a historical perspective and probably also in a Northern and Central European context in which industrialization was characterized by an undeveloped market. However, the extensive literature in the field indicates that these characteristics are highly relevant even in contexts characterized by a more developed market, such as northern Italy, France and the Netherlands. Nor are their relevance limited to a European context, which is exemplified by the fact that the presentation below is inspired by Valerie McGown's (1980) discussion of labor relations in the Japanese post-war economy.

- *The first characteristic* of a paternalistic work regime is that it describes a socially and economically unequal situation with superiority and subordination. The differences in power entail a hierarchical social structure.
- *The second characteristic* is that the obligations of the employer to the employee exceeds, to a large extent, the exchange of wages for labor. The employer's obligations include the provision of a wide range of services and facilities – often mentioned in existing research are benefits such as housing, health care, and those of an educational or recreational nature. These benefits are not only for the worker but also for their family; they can be seen as a widely spread paternalistic practice – regardless of historical and national contexts. In receiving company welfare workers have to pay the price – and the price is loyalty.
- *The third characteristic* is that a paternalistic system of management tends to be closed and self-contained. Given the wide range of facilities provided by the company, a large part of the employee's time is spent in facilities provided by the company, and in interaction with fellow employees. From this perspective, paternalism is not just a question of vertical trust, it is also a question of horizontal trust, but not in the term of class – it is rather class-crossing relationships within the corporate community. This provides an everyday experience which contributes to a perceived feeling of belonging. This in turn contributes to a strengthening of social trust within the company-community. In this sense, the local community adopts family-like traits and welfare is a central aspect of them – the owner is expected to take care of his workers. In this sense, management is not an abstract practice – it is personal leadership.
- *The fourth characteristic* is that the employee tends to be dependent to a high degree on the employer. The employee does not easily have access to alternative services and facilities. This relationship of dependence can of course differ in causes: the worker may support the values of paternalism and accept the position defined by those values; alternatively, the worker's options might be limited by institutional structures such as geographical isolation and a closed local labor market.

- *The fifth characteristic* is that the employer's willingness to accept and fulfill their obligations to the individual employee is reciprocated in a positive way by the employee, and that an affective relationship between the two parties will develop. It is a hierarchical relationship where the employer acts as a father, protecting and disciplining the employee. In return, the employee gives the employer his loyalty and respect. This affective relationship provides the basis for the employer – employee relationship as essentially built on perceived common interests.
- *The sixth characteristic* of a paternalistic system of management is the personal nature of the relationship between the employer and the employee. The employer, for ideological reasons, has a negative attitude towards mediators, for example, labor unions. Seen from the paternalistic ideological system, a mutually supportive and cooperative relationship exists between management and the labor force. From the management point of view, labor unions are neither necessary nor desirable. This can be questioned empirically – unions can be, and indeed have been, accommodated by paternalistic systems.
- *The seventh characteristic* is that the ideological basis of the system is articulated by management for management. Paternalism as a narrative is neither an essential part of the organization of the production or the organization of the community — it is a justification for economic and social subordination. Specific to the paternalistic work regime is the fact that this narrative is not limited to the company. The relation between labor and capital is transferred to the community level and creates, or becomes a part of, what can be called paternalist capitalism. The social order within the company tends to be duplicated in the larger community so that the company and the community form an integrated and mutually reinforcing whole, the company town. Intentionally or unintentionally, the company history, traditions, and symbols became a justifying narrative which is used to connect every individual to the company.

The seven characteristics outlined above do not claim to be a generally valid definition, but rather a starting point for a discussion of what content we can include in the concept of paternalistic work regimes.

The Special Issue

This special issue contains five articles. The first two are case studies while the latter three are discussions at a system level. *In the first article*, the historian Matias Kaihovirta discusses paternalism based on a study of the Billnäs ironworks in Finland. His longitudinal study deals with the period from the late 1800s to the 1980s. Central to Kaihovirta's understanding is the close link between class, gender, and paternalism. Family symbolism – patriarchalism – was strikingly present in both the affirmation of paternalistic corporate governance and the union challenge. *The second article*, with the aim of developing our knowledge of industrial relations in family firms, is written by the business economist Börje Boers. This article is based on a

comparative study of two family-owned companies, one in Germany and the other in Sweden. One of several results to highlight is that family companies seem to have an institutionalized paternalistic organizational culture and that negative effects of this condition, in terms of co-determination, are counteracted by professionalism in management. *The third article* written by the sociologist Linda Weidenstedt discusses communicative aspects of empowerment practices using the concept of paternalism. Empowerment results in organizations transferring power to individuals – but since the power relationship is asymmetric, empowerment (based on its definition) is performed from a top-down perspective. One of Weidenstedt's conclusions is that this could potentially undermine the leader-member relationship. *The fourth article* is written by the employment relations researcher Stefano Gasparri. The subject of his article is marketization and commodification of employee benefits in Italy – i.e. marketization of company welfare institutions. He sets out to describe this process from a historical perspective. In doing so, Gasparri discusses different types of paternalism such as industrial, scientific, bureaucratic, sophisticated and libertarian paternalism. Gasparri claims that paternalism and marketization have interacted and resulted in crucial changes in contemporary work regimes. *The fifth article* is written by the human recourse management researchers Elaine Farndale Zippora Metto and Samer Nakhe. Their contribution explores high commitment human resource management (HCHRM) systems as a management technique aimed at creating loyalty and increased employee engagement – or rather – how embedded paternalistic values among employees affect the effects of HCHRM systems on loyalty and employee engagement. Farndale, Metto and Nakhe notes that there are potential areas of overlap between the values of welfare paternalism and the characteristics of strong HRM systems. A possible result could thus be that a caring practice is reciprocated with increased commitment, regardless of whether it is a question of paternalism or HRM.

This special issue has its origin in discussions during a seminar held on April 8–9, 2019, at the International University Center Dubrovnik (IUC), Croatia. A large number of papers were submitted both before and since the seminar and its call for papers. We end this introduction by expressing our sincere appreciation to all seminar participants for contributing interesting papers and comments. We would like to thank the DAAD for their fellowships which supported the seminar.

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