

**THE IMPACTS OF INDUSTRIAL PATERNALISM:
A STUDY OF THE NATIONAL CASH REGISTER COMPANY**

Jay P. Wilkinson

Department of Geography
The Pennsylvania State University
University Park, PA 18602

ABSTRACT: Industrial paternalism has had a tremendous impact on a variety of places: from newly-built company towns to more economically diversified cities. A case can be made that through its program of employee benefits instituted around the turn of the twentieth century which eventually came to be known as "welfare work," the National Cash Register Company (NCR) acted paternalistically. This paper reviews definitions of paternalism and provides a classic example of the practice. It then describes the practices of NCR and its founder, John H. Patterson, and compares them to the definitions of paternalism. It is concluded by examining the lasting impacts Patterson and NCR has had on the larger Dayton community.

INTRODUCTION

The formation of company towns such as Hershey, Pennsylvania; Pullman, Illinois; and Longview, Washington are often one of the typical images one has of industrial paternalism. In these cases, the employer provided for all of the basic needs of the employees from housing to schools to shopping opportunities and much more. However, that is certainly not the only way paternalism can develop and emerge. Look at the city of Dayton, Ohio for example. It has never been a single company town, and yet it shows the signs and impacts of paternalism. The large presence of the military as well as industrial capitalism have each fostered a paternalistic atmosphere in the region. But what impact does paternalism have on a particular place?

In an effort to shed light on this vast question, in this paper I will be using a case study approach to look at the practices and impacts of one leading company in Dayton, namely the National Cash Register Company (NCR). Specifically, I will begin by defining what is meant by paternalism and by giving an historical example of it. Next, I will provide an overview of NCR and some of the progressive reforms it undertook around the turn of the century. Following this, I will compare the definitions of paternalism to NCR to determine the extent to which the company acted paternalistically. Finally, I will discuss some of the impacts that NCR and its founder, John H. Patterson, had on the larger Dayton community both in the early part of the twentieth century and today.

IMPACTS OF INDUSTRIAL PATERNALISM

PATERNALISM: DEFINITIONS AND AN EXAMPLE

Many industrialists in the late-nineteenth and early-twentieth century seemed to believe that it was their Christian duty to improve the lives of their employees who were seen almost as surrogate children. Through educational opportunities, access to public services and facilities, and high quality housing, benevolent paternalists could enrich the lives of their employees (Mitchell, 1988, cited in Mosher, 1989, p. 145). Paternalism was not only seen as a way to protect and aid labor, but it was also seen as a way to improve labor's efficiency, productivity, and its bond to the company. Garner (1984) states that paternalism "prompted employers to exercise responsibility not only in the internal affairs of their companies but in external matters as well" (p. 53). Eaton, writing during the era of wide-spread industrial paternalism, put forth a two-part definition of the practice: it "undertakes (1) to provide civil government, and (2) to house, clothe, feed, educate, and amuse the people" (1894, p. 572).

Paternalism is also often associated with geographically isolated, newly constructed company towns in which all public services and housing are provided by the company for its employees. A classic example of such a town was Pullman, Illinois. The town, just ten miles southwest of Chicago, was founded in 1881 by the Pullman Palace Car Company, manufacturer of railroad sleeper cars. George M. Pullman, the company's owner, intended for the newly built town to act as a glorious advertisement of the achievements of the Pullman Palace Car Company (Ely, 1885). In the town, the company constructed schools, churches, an arcade shopping area, a library, and meeting halls, in addition to building high quality housing to rent to the workers of the new factories. The company president wanted to show that a firm could receive a direct return upon an investment made for workers' housing, and that it could benefit from a good, controllable work force (Mosher, 1989). Much to the company's surprise, this docile, happy, and well-cared for workforce revolted in a strike in 1894. Following the strike, the idealistic image of industrial paternalism became tarnished. Social commentators at the time agreed that too much infringement in the home life of company employees was manipulative, evil, and an infringement of workers' rights (Buder, 1967).

BACKGROUND BEHIND PATTERSON AND NCR

The National Cash Register Company was founded in Dayton in 1884 by John H. Patterson. Patterson grew up in Dayton, received his bachelor of arts degree from Dartmouth College, and upon returning to Dayton, began a business supplying coal to the local community. Those early years provided Patterson with some basic lessons in business which would serve him well in the future: **success lay in service and promotion**. He built customer confidence through guarantees and reduced complaints by giving people accurate receipts for their purchases. Patterson's interest peaked when in 1879 he saw an advertisement for "Ratty's incorruptible cashier"-- a primitive version of a cash register which was being produced in Dayton. The businessman proceeded to buy two of the machines. Patterson was so impressed with what the machines could do and was confident that there would be a sizable market for them that he bought the company which held the patents, changing the name from the National Manufacturing Company to the National Cash Register Company (Bernstein, 1990). With strong determinism and drive, Patterson successfully marketed his company's product to shopkeepers and businesses throughout the U.S. and abroad, and by 1913 NCR had more than ninety-five percent of the sizable domestic cash register market, and had sold more than 1 million machines by 1911.

Need for Reform Arises

However, everything was not all rosy for Patterson and NCR. In 1894, a \$50,000 shipment of cash registers was returned from England as being defective. Upon his investigation, Patterson learned that the machines had been tampered with, and that a corrosive acid had been poured on the mechanisms inside the cash registers. This incident made the company president aware of the level of employee dissatisfaction within his firm, and provided an impetus for wide-reaching changes to be made. By moving his desk from his office out to the factory floor, Patterson came to learn that the workers "had no heart in their jobs," as he later stated. "They did not care whether they turned out good or bad work. Then I looked into conditions and I had frankly to confess to myself that there was no particular reason why they should put their heart in their work" (cited in Crowther, p. 196). The problem was the nineteenth-century industrial factory complete with its dirt, its darkness, its low wages, and its lack of opportunities for advancement. Patterson decided that his company would have to create a decent working environment for its employees or go out of business. Soon after, Patterson enumerated six broad goals by which he would strive to improve the working environment at NCR. He stated that the company and its management should undertake the following practices:

1. Treat people well and they will treat you well.
2. Do not try to take advantage and do not try to get the last cent's worth of energy out of them. They will give you their best if they think you are giving them your best.
3. It pays to do good; ...give them every possible opportunity for advancing to higher positions and more money.
4. The basis of a good product is labor--workers who go forward loyally and enthusiastically as a team.
5. Let every worker have the opportunity to make complaints and suggestions for betterments [and] reward them adequately.
6. Extend your personal acquaintance with the men by every means possible (Crowther, p. 194-5).

These goals were soon played out in a number of very tangible ways, and were the basis for the sweeping, progressive reforms which were implemented at NCR, and which had repercussions for the community of Dayton..

Patterson had another reason for instituting wide-spread changes in his organization beyond merely economic aims: his deep religious beliefs. Upon realizing the dreadful conditions he was expecting his employees to work under, Patterson felt convicted to make improvements as an expression of "his own version of the Social Gospel" (Sealander, p. 41). A life-long churchgoer and member of the Episcopal Church, Patterson came to believe that religious people should be reformers and social crusaders, and he saw the implementation of what he came to refer to as "welfare work," and was the first major program of corporate employee benefits in the country, as just such a crusade.

Extent of "Welfare Work" Programs

Patterson's over-arching goals were then developed into five broad categories of progressive reform: physical, mental, moral, social, and financial improvement. The physical improvements began with the radical redesign of the factory workspace. The company commissioned architect Frank Andrews to design a new factory which would be well-ventilated, and full of natural light. This type of environment was in direct contrast to the poorly-lit and dank conditions with which the employees at NCR, and most all other industrial factories of the day, had to contend. The resulting complex of factory buildings were constructed largely of glass, almost resembling greenhouses, with extensive windows and a complicated system of fans and supply pipes to provide fresh air and ventilation.

IMPACTS OF INDUSTRIAL PATERNALISM

Before construction, Patterson's vision was thought to be foolish by many who said that a factory built largely of glass could not be strong enough to last, and even if it were, the heating costs would be astronomical. Many years later, the company president was proud to note that these early buildings were still very structurally sound that the heating costs were not high, and he asked who "builds a poorly lighted factory today" (Crowther, p. 199).

In addition to structural changes, improvements were made in the factory environment to increase worker safety and to beautify the burgeoning company grounds. The new factory design employed many safety features and devices such as shields around dangerous machinery to improve upon the previously hazardous working conditions. With the goal of improving both safety and the general working atmosphere, efforts were also made to keep the factory clean. The aesthetic nature of the factory and its surroundings did not escape Patterson's eye for remodeling. Rather than the standard whitewash color used on the interior of most American factory walls, NCR's buildings were painted in painted in soft, pleasing colors. Likewise, potted plants were brought in to further enhance the comfortable setting. The outdoors were also altered through the work of famed landscape architects John and Frederick Law Olmsted. The fences surrounding the NCR grounds were taken down, and in their place were planted large trees and shrubs, and the open spaces between the factory buildings were filled with park-like lawns (Bernstein, 1990). All of these improvements to the physical environment were revolutionary for their time, and yet they pale by contrast to some of the other far-reaching changes Patterson at NCR.

Included in the new factory layout were baths, showers, lavatories, and rest rooms for all male and female employees to use. The new facilities came complete with free towels, soap, and hot and cold running water, and because Patterson believed so strongly in the need for cleanliness and regular bathing, he offered each employee the opportunity to bathe twice a week on company time (Crowther, 1926). At a time when only the rich had bathrooms in their homes, the luxurious bathing facilities at NCR were quite unique.

With his belief that a healthy workforce was a productive workforce, Patterson began offering free medical care to all NCR employees. This program grew rapidly, and by 1920 a fully equipped hospital was built on factory grounds. Continuing along the lines of maintaining his employees' health, Patterson began providing low-cost, well-balanced meals in company dining rooms. As late as 1918, a typical meal of roast beef, mashed potatoes and gravy, vegetables, rice, and coffee could be had for five cents, a third of the price a similar meal at a restaurant or café would cost.

Beyond medical care and proper nutrition, Patterson firmly believed that physical fitness was a vitally important element in maintaining one's health. He instigated ten minute sessions of calisthenics for all factory workers, both male and female, in the morning and in the afternoon of every work day. According to his biographer, Patterson believed that whatever was good for one person was good for everyone. He believed that exercising benefited him, and therefore, everyone whom he could control had to live in the same way (Crowther, p. 221)." Regular exercise was not simply imposed on the employees on the shop floors, but soon all company executives were required to join Mr. Patterson at the factory by 5 a.m. each day for calisthenics and a horseback ride through Hills and Dales Park. Those executives who did not know how to ride, or who did not learn to ride did not retain their employment for long. Certainly not the least in the list of the improvements in the employees' physical welfare was the reduction in length of the work day. Around the turn of the century, it was not uncommon for workers in factories across America to put in twelve-hour days. Seeing the toll that these extended periods of work took on his employees, Patterson instituted a maximum work day of nine-and-a-half hours for men and eight hours for women. [He believed that women should start work

later and quit earlier than the men so that the likelihood of them being accosted on the crowded street cars coming to and from work would be decreased.]

The employee welfare reforms at NCR also included programs for "mental" improvement. Free classes were offered to all employees in the evenings, during the lunch hour, and on weekends. Everything from English composition to salesmanship, or any of a number of trades such as carpentry, window glazing, or molding were offered for men, while women had the opportunity to study cooking, languages, stenography, embroidery, or sewing. Classes were supplemented with an extensive company library of books and current national newspapers and magazines which were available to all. In addition to regularly scheduled classes after hours, Patterson also made a practice of bringing in lecturers and orators on a wide-range of topics to come and speak to the company's employees both on and off company time.

Not only did NCR look after its employees' intellectual improvement, but it also was concerned with educating the children of firm's employees. After returning from one of his many trips to Europe, Mr. Patterson decided that his employees' children should start their formal education with a year of kindergarten prior to beginning the first grade as the children in Germany do. Since the Dayton public schools did not yet teach kindergarten, Patterson hired some teachers, and the NCR Kindergarten soon began (Tracy, 1950).

The third of Patterson's reforms was in the area of "moral" improvement. As with the educational opportunities, this area of programs involved both NCR employees and their children in addition to neighborhood children. Patterson hired a deaconess, Lena Harvey, to devise and operate a program of clubs, classes, and activities for children. Plots of land were made available for a boys garden complete with a full-time gardener to instruct the boys in proper gardening techniques, and a girls cooking school was also begun each with the aims of teaching the children some practical skills and with keeping them out of mischief. Miss Harvey also established Sunday School classes for children and Bible classes for adults which at one point had more than 800 participants (Tracy, 1950), but upon Mr. Patterson's request, the classes emphasized "morality and right living in a subtle rather than traditional way" (Sealand, p. 25).

Social improvement was another of Patterson's goals in reforming the operations of NCR. The company believed that social contacts outside of work were important, and therefore it sponsored a large number of clubs and organizations. It also often hosted cotillions so that its employees could learn, and then practice their social graces. The showing of free movies during the lunch hour and on weekends became a very popular time for company workers and their families to relax and yet also interact with one another.

Outdoor activities were also encouraged as a means of employee socializing. Annual company-wide camping excursions became an NCR tradition. One such excursion was in the summer of 1906 when the factory completely shut down for ten days so that 2,700 employees and their families could travel by train at the company's expense to a wooded site near Michigan City, Indiana for a "family" camping vacation (Sealand, 1988). To encourage outdoor recreation, Patterson converted 325 acres of land near his home to construct a country club complete with a golf course, tennis courts, hiking trails, baseball diamonds, and a playground for children. In reaction to the growing number of high-priced, exclusive country clubs popping up around Dayton, Patterson wanted his country club to be within the means of even the lowest paid of his employees. He therefore charged just \$1 per season for an employee's whole family to enjoy use of the club's facilities.

IMPACTS OF INDUSTRIAL PATERNALISM

Patterson also believed that the poor physical and social conditions of some of the neighborhoods around NCR could lead to a decay in company morale. He therefore persuaded its employees to improve the physical conditions of the neighborhoods they lived in through competitions and monetary incentives. The company offered prizes to the employees who produced the best shrubs, the best vine plantings, and the best front and back yards on their street or block (Shuey, p. 147).

The final tenet of Patterson's welfare work program was to improve the financial standing of its employees. The company president saw to it that his employees were consistently paid at or above the prevailing wage. Even after cutting the length of the work day for male employees from twelve to nine-and-a-half hours, NCR continued to pay them for ten hours of work each day. Furthermore, in 1917, the company instigated a plan of employee profit sharing whereby any employee with at least one month's service to the firm was entitled to a share of the company's profits. Each employee's share of the profits was determined by their length of tenure and the level of responsibility of their position. By the mid-1920s, the company was distributing an average of \$1.5 million annually in the form of employee profit sharing checks.

Labor's Reaction to the Reforms

With all of these reform programs underway, it is both interesting and important to understand how the changes were received and perceived by the NCR workers themselves. Reports to company meetings indicate that some employees refused to take advantage of some the benefits afforded them. Certain workers were angered by the "opportunity" to take night classes on their own time in order to learn to do their jobs better. What was intended by the company as a chance for employees to learn new skills for the purpose of job advancement was interpreted by some as an under-handed way of almost requiring unpaid, after hours training. Despite the company going to great lengths to bring in interesting and provocative speakers, employees did not always attend the speeches. When the company initially offered its female workers a free hot lunch, the gesture was taken with great skepticism by its employees. Only when a nominal fee was charged for the meal did women in large numbers take advantage of it.

Certainly not all of the changes were received with such mixed feelings. In fact a large number of the reforms like improved working conditions, free medical care, a shorter work day, and employee profit sharing were widely praised by NCR's workforce. When asked by a reporter for the national magazine *Outlook* what he thought about NCR's version of employee benefits one worker responded, "Anyone discontented here will never be satisfied this side of heaven" (Rogers, p. 707). Between 1901 and 1917 the welfare work programs became more narrowly focused. Health care and recreational programs were expanded, while at the same time less efforts were made to provide all-inclusive services.

"WELFARE WORK" RAISES QUESTIONS ABOUT PATERNALISM

The extensive programs of welfare work at the National Cash Register Company during the reign of its founder, John H. Patterson, raises the question of industrial paternalism. Following Eaton's definition, one could argue that feeding employees at or below cost in company dining rooms,

educating them through a wide-range of courses offered, and amusing them with free movies, company paid-for camping excursions, and company-sponsored cotillions could constitute paternalism by NCR and Patterson. However, the company did not provide any form of civil government, it did not provide workers with housing of any type, and the only clothes it provided were "sleevelets"--apron-like ~~smocks~~ which were to protect female employees' personal clothing. Patterson did feel called as a Christian to improve the lives of his employees, but he also saw the reforms he was making as simply being good business sense. That is, if he improved working conditions and provided benefits for his employees they would be less likely to sabotage production again. Therefore, altruism, combined with a desire to maximize profits and reduce costs resulted in industrial reforms at NCR.

Researchers have noted that the reverse side of the progressive self-confidence felt by many industrialists has been an arrogant willingness to manipulate the lives of others (Sealander, 1988; Garner, 1984). Patterson, himself, did engage in such behavior such as in the summer of 1914 when he personally supervised the repainting of a large number of houses he passed daily on his journey to work which he saw as being "dingy." He notified the homeowners that he would be providing paint and workman, free of charge, giving the residents little opportunity to turn down the offer.

PATTERSON'S GOALS AND HIS LASTING IMPACTS ON THE COMMUNITY

Not only did Patterson have grand plans for NCR, but he also had ideas and goals about the way things should be outside the factory walls in the rest of Dayton. In 1897, he gave a speech entitled "How to Make Dayton a Model City" in which he enumerated a number of his goals for improving the lives of the city's residents. Many of these goals eventually became reality, and Dayton is a different place today because of them. He saw the need for kindergartens, and since the Dayton schools did not have them he started one at NCR for employees' children. Through his efforts and gifts of the necessary equipment, kindergartens were finally incorporated into the public schools at which time the NCR Kindergarten ceased to be necessary and was dissolved (Tracy, 1950, p. 141-2). Also in the area of education, Patterson saw the need to provide day and evening educational opportunities for everyone in the community. This goal was achieved through the Evening Educational Program of the Dayton YMCA, which led to the creation of Sinclair Community College in 1965, and which currently has an enrollment of over 20,000 students (1993 *Guide to Dayton*, p. 19). In industry Patterson believed the work day should be shortened, and as NCR reduced length from twelve hours down to nine-and-a-half hours for men and to eight hours for women it set a precedent for industry in Dayton and nationwide.

Patterson was also instrumental in bringing about two very important changes in local government: the city manager form of city government and the establishment of the Miami Conservancy District. Prior to 1913, Dayton had a corrupt and complicated form of city government ruled largely by political bosses. But through the work of Patterson and others, the system was reformed, and the city manager form of government was introduced, and is still the mode of city government today. Following the Great Flood of 1913, Patterson raised more than \$2 million to create the Miami Conservancy District whose function through the creation of a system of dams has been to ensure that floods would not harm the Miami River Valley in the future.

IMPACTS OF INDUSTRIAL PATERNALISM

CONCLUSION

By its very nature, long-lasting paternalism creates a sense of dependency. In company towns like Pullman, Illinois and Longview, Washington where all the inhabitants' needs were provided by the company, the residents largely came to believe that their jobs and even their lives were secure, and that the companies which supported the town would always be there. Since the founding of the National Cash Register Co. in 1884, the City of Dayton and its inhabitants have grown dependent on the company in many ways. At the height of NCR's presence in Dayton in the late 1960s, the company grounds were full of factories producing state-of-the-art business machines employing roughly 20,000 workers. But during the 1970s the firm completely removed all production out of Dayton, taking with it nearly 15,000 jobs. As a result of the pull-out, a strong sense of betrayal developed in the community. In addition to the loss of jobs, NCR's role in providing local leadership has been drastically reduced. Following a hostile takeover by At&T in December, 1991, NCR has continued to withdraw its local presence both in terms of the number of jobs it provides and in terms of its role as a community leader. This withdrawal has led to a sense of disillusionment and betrayal being felt by a population which over time had come to rely heavily upon the company for its very livelihood. Had it not been for the long-standing paternalistic nature of the company and its founder, John H. Patterson, the void created by the loss of NCR would likely not have been as great.

In this paper, we have explored several definitions of industrial paternalism, and seen an example of it manifested in the company-town of Pullman, Illinois. We then looked at some of the progressive reforms undertaken by the National Cash Register Company and its founder around the turn of this century, and determined the extent of paternalism at the firm. As we've seen in Dayton, paternalism can have both positive and negative long-lasting impacts in a local area; positive, in the form of providing community leadership and jobs, but negative in the form of fostering a sense of dependency by the local population so that they are unprepared for any change in the status quo.

REFERENCES

- Bernstein, Mark. (1990, June). John Patterson rang up success with the incorruptible cashier. *Smithsonian*. 20, 150-156.
- Buder, Stanley. (1967). *Pullman: An experiment in industrial order and community planning, 1880-1930*. New York: Oxford University Press.
- Clark, David. (1985). *Post-industrial America: A geographical perspective*. New York: Methuen, Inc.
- Crowther, Samuel. (1926). *John H. Patterson: Pioneer in Industrial Welfare*. Garden City, NY: Garden City Publishing Co.
- Eaton, Charles, H. (1894). Pullman and Paternalism. *American Journal of Politics*, 5, 571-579.

MIDDLE STATES GEOGRAPHER - VOL. 28, 1995

Ely, R. T. (1885). Pullman: A social study. *Harper's Monthly*, 70, 452-466.

Garner, John S. (1984). *The model company town: Urban design through private enterprise in nineteenth-century New England*. Amherst, MA: The University of Massachusetts Press.

Lindsey, Almont. (1942). *The Pullman Strike*. Chicago: University of Chicago Press.

Mosher, Anne E. (1989). *Capital transformation and the restructuring of place: The creation of a model industrial town*. Unpublished doctoral dissertation, The Pennsylvania State University, University Park, PA.

Rogers, Sherman. (1920, August). Putting heart into work. *Outlook*, 112, 705-710.

Sealander, Judith. (1988). *Grand plans: Business progressivism and social change in Ohio's Miami Valley, 1890-1929*. Lexington, KY: The University Press of Kentucky.

Shuey, Edwin. (1899, March). A model factory town. *Municipal Affairs*, 3, 144-151.

Tracy, Lena Harvey. (1950). *How my heart sang: The story of pioneer industrial welfare work*. New York: Richard R. Smith.