

Role of the private sector in the development of social protection in the 19th century



International
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France

During the 19th century, some industrial employers in France implemented social protection programmes for their workers. These initiatives contributed to the development of the French national social protection system.

Before the 19th century, social protection was based on charity. It was mainly dependent on the solidarity of religious organisations, families and corporations. Only those in extreme situations, such as destitute or orphans, received social protection.

The situation changed in the 19th century with the Industrial Revolution. On the one hand, workers faced decreasing safety at workplaces, particularly in the metallurgic and mining industries. On the other hand, employers had difficulties in attracting and retaining a largely rural and mobile workforce. In addition, with the movement of Christian Socialism, many employers felt a growing sense of responsibility and attempted to align the social justice principles of Christianity with their material interests.



Thus, during the 19th century, many French industrial employers implemented social benefits for their workers. Initiatives in the mining, railways and spinning industries were particularly advanced. These initiatives, together with the development of trade unions, served as a basis for the progressive development of national social protection legislation.

Main lessons learned

- During the Industrial Revolution, inequalities increased. Ensuring basic social protection to workers was an increasing moral issue for employers and the State.
- The social benefits provided by employers boosted their ability to attract and retain the workforce and improved labour productivity. Individual benefits provided by employers were expensive. Developing a national social protection system was a way to create a level playing field for all enterprises and to rationalize social expenses.
- The legalization of the freedom of association in 1884 led to the development of social dialogue in France and allowed workers to claim their social rights at the enterprise and national levels.

SDG 1.3 aims to implement nationally appropriate social protection systems for all, including floors, and by 2030, achieve substantial coverage of the poor and vulnerable.

Social protection floors (SPFs) guarantee access to essential health care and basic income security for children, persons of working age and older persons. 185 countries have adopted the Social Protection Floors Recommendation, 2012 (No. 202) an approach to achieve universal social protection.

This note presents an initiative taken by a group of employers to provide better social protection to workers. By mobilizing all forces, social protection floors can become a reality for all.

Social Protection in Action: 100 success stories to achieve SDG 1.3

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1. A paternalistic approach to compensate poor working conditions in a lowly regulated labour market

Before 1914, working conditions in the industrial sector in France were difficult and poorly regulated. Until the 1860s, employees sometimes worked for more than 12 hours a day. Their salaries were very low and would scarcely cover their food, accommodation and clothing needs.

The situation of miners was particularly difficult and hazardous as they were exposed to fires, floods, rockslides and explosive gases. The impact of such poor working conditions was tremendous on workers' health and safety, especially for children¹, whose working conditions were not regulated until 1841².

Poor working conditions also had consequences for industrial employers. Indeed, the misery of workers led to them being very mobile in their professions and locations. Furthermore, the poor working conditions reduced worker productivity. High turnover and low productivity were significant issues for employers due to a shortage of skilled workers.

As workers started to organize themselves to improve their conditions, workers' unions put increased pressure on employers. Strikes could have a significant impact as shown by the three-month strike in the Carmaux coal mine in 1892 which resulted in the resignation of the director of the mine and the Member of Parliament for Carmaux. Workers became even more powerful with the creation of the General Confederation of Labour (CGT) in 1895.

Misery of workers was a growing religious concern. In the mid-19th century, the need to align the moral principles of Christianity to modern industrial life became increasingly important to many employers. Such an approach was promoted by the Christian Socialism movement, particularly with the work of the

¹ As a measure to this lack of health and safety, almost half of young operatives were rejected from the army in 1850 because of physical impairment.

² The 1841 Law regulated working conditions for children (regulation of working hours, including night work; minimal working age; compulsory school attendance and so on).

French politician F. Le Play³ and the encyclical *Rerum Novarum*⁴ issued by Pope Leo XIII in 1891.

In response to these issues, many industrial companies developed a paternalistic attitude towards their employees. It was based on the traditional family model wherein employers acted as "fathers" and were involved in employees' professional and private lives. Employers would provide protection to their employees through several social, economic and financial benefits and provisions. In return, employees were expected to respect and obey the employer.

According to the theories of economic liberalism, which were developed at that time, the State was not supposed to intervene in the economy since the market was assumed to be self-regulated. Paternalistic employers would thus reject any State labour regulation and preferred to set up their own regulations.



2. Industrial companies implemented several social benefits and services for workers

✓ Construction of company towns

One of the first social initiatives taken by industrial companies was initiated by a coal mining company called *Compagnie des Mines d'Anzin* in the 1810's which built housing. It allowed employers to retain rural workers and strengthen the workers' community. The development of housing programmes led to the creation of company towns, the most important ones being those built by the steel mill *Schneider* and by the coal mining *Compagnie de Blanzay* in the 1870s.

³ Frédéric Le Play (1806-1882), *Les ouvriers européens* (1855)

⁴ Pope Leo XIII (1810-1903), *Rerum Novarum, Encyclical on capital and labor* (1891)

In order to boost workers' productivity through improved health conditions and because they felt the duty to "moralize" and educate workers, employers started building community facilities in company towns such as churches, schools and hospitals.⁵

✓ Development of social protection benefits

In response to recurring accidents, companies implemented various benefits through assistance funds.⁶

- Medical care

Some employers fully or partially subsidized access to health care for their employees.

For example, Schneider guaranteed free hospitalization in its hospital and medical care for its employees and reduced fees for dependants.

- Work-related injury and invalidity benefits

In case of work-related injury or sickness, some employers granted daily allowances to workers in addition to access to care.

For instance, Léon Harmel, the director of a spinning company, created an assistance fund in 1846. In case of accident or illness, this fund provided a compensation for the loss of income to the injured or sick worker. The compensation was equal to the full salary during four months followed by 50 per cent of the salary during the subsequent four months.

Similar benefits were extended for life-long disabilities and complemented in some cases by the provision of employment compatible with the disability.

- Old-age benefits

Assistance funds for old age were also created. Workers received a pension, the amount of which depended on the number of years of service.

- Family benefits

Many employers implemented family benefits. The Léon Harmel family fund, created in 1891 and managed by workers, gave an "additional family salary" to

⁵ For instance, Schneider built a school in 1837 and a hospital in 1863 for its employees.

⁶ For instance, the Compagnie de Blanzay created a fund in 1834 that helped workers in case of injury, sickness and during old age.

workers with children, the amount of which depended on the number of children.

- Maternity benefits

Some employers implemented maternity benefits. For instance, women at Schneider had to stop working after their seventh month of pregnancy and received free medical care during maternity. However, in a vast majority of cases, this maternity leave was unpaid.

- Survivor benefits

In case of work-related death, some companies guaranteed a pension to widows and orphans.

In addition, some companies, such as Schneider, ensured that widows and orphans found employment in their company.

✓ Other initiatives

Some employers guaranteed in-kind benefits to their workers in addition to wages. As part of its charity policy, Schneider granted its workers coal at a reduced price and food allowances during difficult times.

Others developed savings banks and interest-free loans for workers. For example, Léon Harmel created a savings bank in 1840 and an interest-free loan fund in 1842. This initiative was mainly inspired by a moral and religious vision. Léon Harmel wanted to teach responsibility, including budget management, to the employees⁷.

Besides, some employers included workers in the management of the company. In 1880, J. B. Godin, creator of an iron stoves company, converted the company into a co-operative society called the Labour and Capital Cooperative Society⁸. Profits were used to fund social benefits. The remainder was distributed to workers, not as money but in the form of shares of the company. Therefore, workers became owners of the company.

Finally, other employers implemented measures to improve Occupational Safety and Health (OSH). Schneider set up a Safety and Health Service to insure occupational accidents and illness prevention. Every worker was given a user guide related to the use of

⁷ Harmel wanted to teach workers solidarity and responsibility.

⁸ J.B. Godin was inspired by the work of Charles Fourier.

machines. Hazardous components of the machines were painted in red. A safety inspector had the responsibility to answer any safety-related questions.



3. How did this protection function?

Many social benefits and services were internalized and implemented through facilities belonging to the enterprise such as hospitals, housing and schools and through corporate assistance funds.

Assistance funds were financed by contributions from workers. In some companies, employers also contributed. The amount of the contributions varied across companies.⁹

Eligibility conditions to benefit from assistance funds varied from one company to another. Criteria such as workers' age, performance, nationality and number of

⁹ For instance, iron miners from the Terrenoire company contributed to a pension fund with up to 6 per cent of their pay. At Schneider's, employers and workers contributed equally to the pension fund. The contribution was 3 per cent of the pay for single workers and 5 per cent for married ones.

dependants were usually part of the eligibility assessment. These criteria were mostly determined by company directors.

Workers were sometimes involved through bipartite boards to ensure that eligibility was fairly assessed. For instance, some miners of Compagnie de Blanzay participated in the assistance fund administrative board.

However, many categories of workers were excluded from assistance funds. For instance, only French nationals were eligible to Schneider's old age pension. Another example is the Compagnie de Blanzay old age pension scheme, to which only miners over 60 years old and having worked for more than 30 years in the company were eligible.

4. Social benefits and services had social and economic impacts

The wide scope of social benefits and services facilitated the improvement of the health of workers and their dependants. It is reported that the mortality rate of child workers in Schneider's factories was 6 per cent in 1912, against a national rate of 11 per cent.

Paternalistic policies also had an impact on businesses. For instance, workers stability was particularly high at Schneider; workers stayed on average 13 years in the company at the end of the 19th century.¹⁰

However some industries remained hazardous. This could be explained by a lack of knowledge as well as insufficient prevention and protection.

For instance, companies in the mining industry remained uncertain of how to avoid risks of gas explosions and suffocation. As a result, while almost every miner benefited from an assistance fund at the end of the 19th century, they still had a high risk of death while working.

5. Progressive development of the legal framework

✓ Role of employers' associations

In addition to social protection benefits for employees, some employers felt the religious duty to extend social

¹⁰ At that time, 26 per cent of workers stayed at Schneider's more than 20 years, versus 22.5 per cent at Godin's.

protection coverage to all workers. However, employers could not bear the entire cost of extending social protection for workers alone.

As a consequence, some employers gathered and paved the way for the State to create a national social protection law. One of the most significant developments was related to family benefits. It started in 1891 with the creation of the first family fund by Léon Harmel for his employees. Later, in 1918, two employers, Emile Romanet in Grenoble and Emile Marcesche in Lorient, created the first inter-enterprise family compensation funds. Employers from the same region or industry would abound to these funds, according to the number of workers they employed. In the 1920s, employers merged their family compensation funds into the Central Committee for Family Allowances. At the end of this decade, a group of employers proposed a law for the creation of family allowances. Finally, in 1932, the law compelled employers to join a compensation fund that granted family benefits for employees.

Other initiatives contributed to the creation of a national social protection system. For instance, the Société Industrielle de Mulhouse (SIM), created in 1825 by industrial employers, played a significant role in the adoption of the 1841 law against child labour, and its initiatives led to the 1893 law on work accident prevention.

These initiatives and more generally the influence of industrial employers on the legislation were facilitated by employers' involvement in local politics. Many employers were mayors of their company towns or members of the Parliament.

✓ **Role of workers' associations**

Workers felt excluded from decisions regarding social benefits and felt controlled inside and outside of work.

Further, the right to benefits was dependent on their employment condition as well as the company's financial situation. When the Terrenoire company went bankrupt in 1889, miners lost all their contributions and entitlements.

Besides, benefits were often insufficient and eligibility conditions strict while working conditions were difficult and hazardous. Before the 1898 law on work accidents, workers had to prove that the employer was

responsible for the accident in order to be covered by the assistance fund. In reality, employer's responsibility could only be proved in around 25 per cent of accidents.

In order to improve their rights and liberate themselves from employers' paternalism, workers organized many strikes in the 1880s and participated in the progressive creation of compulsory national social insurances.

As a result, many laws were adopted at the end of the 19th century in order to, among others, regulate child labour (laws of 1874, 1881 and 1892), guarantee the freedom of association (law of 1884), compensate occupational accidents and illnesses (laws of 1893 and 1898) and regulate working hours (laws of 1874, 1892 and 1900).

The 1898 law on occupational accidents and illnesses was the first initiative to implement a compulsory social insurance. This law established employers' automatic responsibility in the industrial sector so workers were no longer required to prove that the employer was responsible for the accident. It also compelled employers to fully fund workers' insurance for occupational accidents.

The national social protection system further developed during the 20th century. In 1910, the French Labour Code was created and gathered all existing laws regarding employment contracts, wages, working hours, workers' representatives, and child and female labour. In 1945, all existing social insurances were united within a single fund called the Social Security System.

6. Moving towards a national Social Security System

Developing the national Social Security System was a way to create a level playing field for all enterprises, by equalizing the benefits provided and rationalizing social expenses. With the State providing social security, it was possible to pool risks across a large number of people, besides being administratively easier and cost-effective, given the relatively low costs of public administrations. Workers were also able to claim their social rights on a consistent and predictable basis. These among other factors brought employers and workers together to set up the national Social Security System.

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The Global Business Network for Social Protection Floors

The Global Business Network for Social Protection Floors (GBN) was launched at the ILO headquarters in Geneva on 28 October 2015. The group of over 50 enterprises that constitute the GBN works in three main areas:

- analyse and document the impact of social protection on the social and economic performance of enterprises;
- promote peer-to-peer exchanges on the development of social protection programmes within companies and the use of International Labour Standards in designing these programmes; and
- engage in the development of social protection floors in countries, notably in collaboration with national employer organizations.

The Network is part of the ILO's Global Flagship Programme on Building Social Protection Floors for All. It provides a platform for the private sector to contribute to the establishment of SPFs in countries and the achievement of the Sustainable Development Goals on social protection, making the right to social protection a reality for all.

100 success stories to
achieve SDG 1.3

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