

Ourselves: Welfare Capitalism in the Larkin Company, 1900–1939

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Abstract

The Larkin Company, a hybrid soap manufacturer and premium mail-order business, founded in Buffalo, New York, in 1875, created a unique corporate culture of “Larkinites”—employees, executives and managers, *and* customers—by the early twentieth century. In order to build and sustain this culture, it became active in the welfare capitalism movement during the early 1900s. Welfare capitalism and the company’s financial fortunes rose in sync between 1900 and 1920, but, owing to a variety of external and internal factors, the company’s financial success began to decline beginning during the 1920s and worsened during the 1930s. As the company deteriorated, so too did its welfare programs. This case shows the potential hazards to employees of employer-based benefits.

This paper examines the role of welfare capitalism¹ as part of the Larkin Company’s² successful attempt to create and sustain a unique corporate culture of “Larkinites”—a metaphorical family of employees, managers and executives, *and* customers—beginning around 1900.³ Founder John D. Larkin commissioned architect Frank Lloyd Wright to design a modern administration building that was completed in 1906. The office building quickly became the physical embodiment of Larkin’s corporate culture. The Larkin Administration Building was Wright’s first commercial commission and was designed specifically for Larkin’s rapidly expanding mail-order soap manufacturing business *and* employee welfare offerings that were housed largely in a five-story annex. (For details on the building’s architecture, see Quinan 1987; for Larkin family history, see Larkin 1998; and for the creation of Larkin’s corporate culture, see Stanger 2000; all provide historical sketches of the company.)

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Larkin Company Beginnings

John D. Larkin established a modest soap works in Buffalo, New York, in 1875. He gave Elbert Hubbard, his brother-in-law and future founder of the Roycrofters arts and crafts colony, a one-third stake in J. D. Larkin.⁴

The company grew rapidly during the 1880s, as soap consumption became widespread in American households. By 1900, Larkin was one of the largest soap manufacturers in the state of New York and the largest in Buffalo. Along with other consumer products firms, Larkin began advertising extensively during the late nineteenth century. It also used traditional methods of distribution—jobbers and wholesalers—until 1885, when it eliminated all middlemen, including its own sales force. In that year, “The Larkin Idea,” and its motto, “From Factory-to-Family: Save All Cost Which Adds No Value,” were born. Hubbard creatively employed premium certificates to induce customers to purchase expensive “combination boxes” of soap and other toiletries. According to Quinan, “Inherent in this business arrangement was a quasi-familial intimacy which the Larkin Company promoted in its advertising by calling customers ‘Larkinites’” (Quinan 1987:12–13; Stanger 2000). This was the first step toward the development of a strong corporate culture that took firmer shape in the 1890s with the birth of cooperative buying clubs.

These “Larkin Clubs of Ten” helped Larkin Company weather the panic of 1893. Sales boomed from \$220,000 in 1892 to \$15 million by 1906. Club members were mostly from small towns whose families had modest incomes. The “secretary” organized the club and conducted business with Larkin offices on behalf of all members. Larkin products and premiums enabled customers to furnish their homes, stock their pantries, and clothe their children. The company referred to Clubs of Ten as the highest and most popular development of the Larkin Idea.

After 1900, Larkin expanded its product offerings beyond soaps and related products to include packaged foods and numerous household products. Between 1901 and 1909, as its premium business blossomed, it began purchasing manufacturing facilities that produced pottery, glassware, leather, and furniture. Larkin Company also opened branch offices and showrooms in and near major urban centers on the East Coast and in the Midwest. To reach small towns east of the Mississippi River, it dispatched rail cars that contained fully stocked showrooms to excite interest in the company’s products and buying clubs (Schlei 1932; Stanger 2000).

The Roots of Employee Welfare Benefits

Faced with a workforce that grew tenfold between 1895 and 1901, to about 1,000 employees, John D. Larkin pledged to “unite the interests of employer

and employee, making all work more pleasant and better paid.” Larkin’s religious background inspired his paternalistic views toward his employees. Beginning in 1897, the company built only fireproof structures, increased office capacity, and installed a new ventilation system. In 1900, it reduced factory hours from nine hours and forty minutes to nine hours with ten hours’ pay and office hours to eight and a half by 1901. Both factory and office hours continued to fall over the next two decades (*The Larkin Idea*, March 1901; *Ourselves*, various years; *You and Larkin Company* 1928).

Employee welfare initiatives began before office employees moved into the Larkin Administration Building, but they laid the groundwork for more elaborate offerings that peaked during the 1910s. Some of the early employee benefits were paid vacations to “old” and meritorious employees (1900), an employee thrift plan (1901), free coffee for employees (1901), a lunch cottage (1903), and the first company outing (1903). In April 1903, the company inaugurated a monthly company magazine called *Ourselves* that not only advertised Larkin Company’s welfare benefits, but also attempted to inculcate in employees the proper work ethic and build an esprit de corps.

A companion publication, *The Larkin Idea*, was published in advance of the Pan-American Exposition, held in Buffalo, in 1901, and was directed at Larkin customers. It also printed stories about Larkin’s employee welfare practices to show customers that Larkin Company was progressive and modern in both its business and employee relations practices (*The Larkin Idea*, March 1901; *Ourselves*, various years; Stanger 2000).

Welfare Capitalism at Work

In the first few decades after 1900, employment at Larkin boomed. In March 1907, for example, office employment reached 980, while the Buffalo factories employed 1,242. By 1919, at its peak, Larkin employed almost 4,500 people, with 2,225 in the Buffalo factory complex. Sixty-four percent of the total workforce comprised mostly young and single women, the target of many welfare benefits (Darwin D. Martin Papers).

In response to the growing gap between employees and executives, Larkin Company intensified its employee welfare initiatives between 1906 and 1920. In general, these benefits can be categorized into four, not mutually exclusive, categories: financial, education, health, and leisure. Social programs were the amalgam that bonded “Larkinites” to each other and the company. Two main themes ran through all programs—an ethos of self-help and the spirit of cooperation.

Financial Benefits

In May 1906, Larkin Company established the Larkin Benefit Association (LBA) as a self-help plan to provide financial benefits to Larkin employees, including branch employees, in cases involving sickness, need, and death. Employees made monthly contributions based on their wages and elected officers to run the plan. Similar types of plans emerged, such as the Office Benevolent Fund (1911) and the Employees' Benefit Fund (1914), which included factory workers. Other financial benefits also required employee contributions. These included life insurance (1923), the Larkin Men's Club Gratuity Fund (1931), the Larkin Employees' Credit Union (1933), and hospital insurance (1937). In most cases, employees, through their social organizations, administered the plans (*Ourselves*, various editions).⁵

Themes of self-help and cooperation could be seen when John D. Larkin offered a home loan program to employees in 1908. Employees paid a 5% interest rate, below bank rates, but *only* if they had at least \$500 in savings *and* could pay 25% of the borrowed amount (*Ourselves* April 1 and May 1, 1908). It is unknown how many employees could afford to participate.

The most significant but short-lived financial plan was the "Co-Operative Ownership Plan" introduced in 1919. *Ourselves* hyperbolically hailed the plan as "historical, epochal and prophetic." Larkin executives took this progressive step to "more firmly and closely unite in one harmonious spirit of co-operation our entire organization and open the way thereby to greater achievements than even those of the past." At the time, the company was highly profitable.

This stock-based ownership plan failed, however, as a result of a number of problems, including the plan's intricate details and exclusions, executive bickering, and harsh economic times during the early 1920s. Despite a revision in early 1921, executives cancelled the plan (*Ourselves* July 25, 1919; Oreskovic 1981–82).

Educational Benefits

Larkin Company created its own branch of the Young Women's Christian Association (YWCA) in 1905. It played an important role in providing a variety of educational opportunities for Larkin women.

In 1907, Larkin Company created an education department and opened a branch of the Buffalo Public Library on premises for noontime relaxation and enjoyment. In the same year, it sponsored a company-wide educational reimbursement plan for self-improvement. Employees with at least six months tenure, "who attend public classes of instruction in any subject and attain(s) a standing of seventy-five per cent. in class work and attendance will be reimbursed in full for all costs and expenses" (*Ourselves* May 25, 1907; August 1, 1907).

A second wave of company-sponsored education occurred between 1915 and 1920. During this time, the company established the Larkin Schools for job training and new employee orientation. It claimed that, "In addition to laying the foundation for good character building, the School aims to inculcate regard for system and method, punctuality, and respect and consideration of others" (*Ourselves* December 1921). In 1918, Larkin Company encouraged employees to attend night schools offered by a variety of educational institutions. Larkin Company also claimed to be a pioneer in "Americanization" classes, developed during World War I for its growing immigrant factory workforce. *Ourselves* confidently concluded, "This instruction must eventually lead to better employees, better citizens, fewer accidents, better jobs, more prosperity, and bigger American Larkinites" (*Ourselves* September 15, 1918; March 1920).

Health-Related Benefits

While Larkin provided a few health-related benefits around 1900, they became more extensive after 1906. The building's annex provided comfortable lounges and rest rooms, showers, lockers, and a large restaurant, furnished with Wright-designed furniture and staffed with dietary experts. Additional restaurants opened as the workforce expanded (*Ourselves* May 1920; Quinan 1987).

Larkin Company hired a trained nurse in 1905. More extensive medical work followed in 1913 when a practical nurse and company physician were hired to conduct medical exams for all job and LBA applicants. The medical department existed "to safeguard the employees, thus creating a more productive and efficient body of workers." Both the office and factory had medical facilities and rest rooms for employees. The Larkin YWCA maintained rooms in local hospitals for ailing women. In 1915, Larkin opened a modern dental office that provided a variety of services at nominal prices. Factory workers were eligible to visit the dentist ten years later.

To give workers a reprieve from their grueling and mundane office work, Larkin granted paid vacations to a select few meritorious and loyal employees, beginning in 1900. Factory workers became eligible for paid vacations in the 1920s, but they too had to meet strict eligibility requirements. And for Larkin girls and women who were run down, Eagle Bay Farms, south of Buffalo, provided fresh air, wholesome food, medical care, and needed rest (Larkin Company records; *Ourselves*, various years; *The Larkin Idea*, March 1901).

Leisure Activities: Forging Social Bonds

Social activities, including recreation, sports, and employee clubs, were integral parts to Larkin's corporate culture. These activities and clubs provided employees with much-needed leisure time and opportunities to form so-

cial bonds with other employees and managers. For the company, leisure activities and the clubs that sponsored them helped build an esprit de corps and facilitated teamwork, cooperation, and company pride on and off the job. Using the pages of *The Larkin Idea*, Larkin Company promoted the creation of additional buying clubs, advertised its products and methods, and strongly encouraged club members to organize social events that strengthened their neighborly bonds. Both employee and customer leisure activities were part of the company's attempt to unify "Larkinites" who were separated by work function and geography.

The Larkin Field Day, first held for Buffalo employees in 1903, was the company's first attempt at company-wide social bonding. These events were all-day outings, for which the company rented trains to transport employees and their families to their destination. Outings and picnics became regular events at the work-unit level. Elaborate holiday celebrations also were common.

Musical performances by both Larkin employees and invited professionals filled the air of the atrium of the administration building on a regular basis. The Larkin Band played for employees and, along with the Larkin Fife and Drum Corps, entertained others around town (*Ourselves*, various years).

One of the most spectacular cultural events occurred on June 29, 1916, when hundreds of Larkin employees, dressed as Larkin products and symbols of modernity, performed a pageant called "The New Vision: A Masque of Modern Industry." Nine thousand people attended the performance at Delaware Park. The pageant was held in honor of 500 Larkin Club "secretaries," winners of a company sales contest. The pageant's theme reminded employees and guests that, when industry is assisted by service, system, order, and cooperation, it becomes the true servant of mankind and indispensable to its happiness (MacKaye 1916). These words were repeated to employees in company literature and were painted on the interior walls of the administration building's atrium (Quinan 1987). Although these ceremonial events served as useful reminders of the company's values, it was the many employee clubs and their regular activities that engaged Larkin employees on a regular basis.

Girls' and women's clubs. The first important social organization at Larkin was the Larkin YWCA, established in 1905, "to help the [office] girls physically, socially, intellectually, and spiritually." It had its own headquarters and dorm for out-of-town employees. By 1914, the Larkin Y enrolled 778 members, necessitating the hiring of a full-time physical director to assist Ms. Louise Gerry, its executive secretary.⁶

Aside from the religious and educational programming, the Y provided members with many social and recreational opportunities, including individual and team sports and other leisure activities. Basketball, bowling, and base-

ball were very popular. Golf was added in the 1920s. Larkin teams competed in industrial and citywide leagues and in local and national bowling tournaments. Banquets celebrated the end of the playing season (*Ourselves*, various years; *The Larkin Arrow: A Story of Growth, 1905–1920*).

In 1925, the Larkin Women's Council (LWC) replaced the Larkin YWCA. Its slogan was "The Spirit of Co-operation." The Larkin Auditorium became the council house, but housed other activities: welfare activities for men and women, headquarters for women's personnel, and the welcome area for company visitors.

Other social and recreational clubs existed along with the LWC: the Campfire Girls of America formed in 1914, while the Faicom Club (Faithful Comrades) and Co-opus Club (for women with more than five years' experience) were organized during the late 1920s. Lambda Alpha Sigma, an athletic sorority with forty-six members, formed in 1930 to "promote sports, competitive . . . and to endeavor at all times to promote the spirit of good sportsmanship" (*Ourselves*, various years).

Boys' and men's clubs. Men's (and boys') clubs served purposes similar to those of girls' and women's clubs. Larkin men organized a number of these clubs between 1907 and 1917. The first men's organized club was the Larkin Men's Alliance (LMA), formed in 1907. The LMA was an "association of all Larkin men, for the purpose of becoming better acquainted." Men participated in a variety of social, athletic, and civic activities. Its baseball team played in a variety of industrial and municipal leagues.

In August 1914, five employees, including G. C. Boulton, later men's personnel manager, organized the Welfare Club. The club's growth necessitated a move to the auditorium and a name change, in 1917, to the Larkin Men's Club (LMC). The LMC sought "to conduct and encourage such recreational and educational activities as shall promote social, physical and intellectual improvement and good fellowship among all Larkin employees."⁷ Basketball, baseball, bowling, and golf were the main competitive sports played by club members. Club members participated in other recreational activities, including billiards and banquets.

Larkin boys also had their own clubs such as the Larkin Young Men's Club (1912), coorganized by the Larkin YWCA; the Get There Club (1913), for boys ages 14 to 18; and, in 1914, under the direction of the Buffalo YMCA, the Larkin Boys Club, for office boys. Its goals were to "stimulate ambition, promote efficiency, cultivate sociability, and develop boys physically" (*Ourselves*, various years).

The Decline of Welfare Capitalism at Larkin Company

Larkin Company's welfare programs emerged around 1900, peaked during the company's boom years of the 1910, and declined along with the company's fortunes after the mid-1920s. There are numerous external and internal factors that contributed to the demise of Larkin Company.

Externally, the rise of chain stores, the popularity of the automobile, the urbanization of the nation, and the changing roles of married women, Larkin's core buying club members, combined to hurt Larkin's core mail-order business. Larkin's diversification into its own chains of retail food markets, gasoline stations, home craft stores, and a department store, beginning in 1918, did not revive the company.

Internally, key executives, including John D. Larkin, Darwin Martin (mail-order), William Heath (legal counsel and office manager), and William Esty (advertising), either passed away or left the company. The senior Larkin's sons either quit the business or clashed with other senior executives. The second generation, faced with a harsh business environment, made poor strategic decisions and could not sustain an increasingly outmoded corporate culture. Larkin's average yearly sales, \$16.2 million between 1906 and 1920 and \$15.5 million from 1921 to 1930, fell to only \$7.1 million during the 1930s. Aggregate sales fell from \$28.6 million in 1920 to \$19.6 million by 1930 and to a meager \$2.03 million by 1939 (Larkin Company financial records; Stanger 2000).

Larkin Company was in the vanguard of progressive employers during the first few decades of the twentieth century.⁸ Its welfare capitalist efforts were strengthened by its unique corporate culture of "Larkinites" that unified a geographically dispersed group of employees, managers and executives, and customers. But progressive employee relations practices could not be sustained in the face of financial losses. The Larkin case illustrates the potential hazards to employees of employer-based benefits.

Notes

1. Welfare capitalism, a relatively widespread and systematic approach to labor management by the 1920s, began modestly during the latter part of the nineteenth century as "welfare work," "industrial betterment," and "uplift work." Brandes (1976:5-6) defined welfare capitalism as "any service provided for the comfort or improvement of employees which was neither a necessity of the industry or required by law." For more details on welfare capitalism, consult Brandes (1976), Nelson (1995), Jacoby (1997), and Tone (1997).

2. The company underwent a number of name changes since its founding in 1875. I will refer to the company as Larkin or Larkin Company.

3. With few exceptions, notably Darwin Martin, head of mail-order operations, most Larkin executives were family members by birth or by marriage.

4. Hubbard left the company in 1893 to pursue a writing career at Harvard University. His split with John D. Larkin was acrimonious.
5. Given space limitations, I am excluding the specific editions of *Ourselves* in the citations.
6. Gerry was hired in 1906 and became the first women's personnel director in 1926.
7. The record is unclear as to the relationship between the LMA, the Welfare Club, and the LMC.
8. For a typology of welfare capitalist firms, see Jacoby (1997).

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