THE HISTORY OF HR

Tracing HR's 150-year journey from workplace enforcer to employee advocate.

Namely HR for Humans

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INTRODUCTION

Human resources has a history problem. Since the turn of the century, professionals in the field have been told they need to forget the past. The HR departments of yesteryear have been characterized as backward, stodgy, and glorified complaint departments. There's a reason why organizers can sell out entire conferences about the need to "redefine HR."

To get where you're going, you need to know where you come from. In HR's case, that story is a surprisingly rich one, full of plot twists, memorable characters, and valuable lessons. It's gone by many different names, but the profession has existed for nearly 150 years. HR teams have played both the roles of employee villain and hero, at times looking to curb employees rights and then rallying to protect them.

As you'll learn, that progression wasn't necessarily a linear one. Many of the employee-centric HR practices hailed today as cutting edge existed over a century ago. What's more, today's focus on data and analytics isn't new, but a throwback to the turn of the century—last century.

So button up your frock coat, step aboard our horse drawn carriage, and enjoy our promenade through history as we travel to the beginning of it all.

1860 - 1900

The Beginning

How the battle between workers and factory owners created a need for HR.

Textile Mill in Winchendon Springs, Massachusetts (1880)

For as long as large groups of people have worked together, leaders have looked for better ways to manage them. The ancient Egyptians were the first to invent organizational charts, log worker attendance, and experiment with compensation scales: 10 daily loaves for unskilled laborers, 20 for craftsmen, and 100 for royal staff. Similar advancements were made in ancient China and Greece—but it wasn't until the mid to late 1800s that the modern practice of people management started to take shape.

The Industrial Revolution marked a turning point in history. For individuals living in Europe and North America during the nineteenth century, there was no aspect of everyday life that didn't drastically change. Technologies like the electric telegraph and steam engine would make the world seem like a much smaller place. En masse, families started to leave farm life and household-based work behind for the promise of the more reliable alternative of factory work.

Business was booming in these countries. For the first time in history, private citizens could conceivably accumulate enough wealth and influence to rival nobility. But with that newfound power came excess, often at the expense of workers. Low pay, hazardous working conditions, and child labor were all commonplace during the Industrial Revolution. While factory owners could become inconceivably rich, the average worker was in a sad state. In 1860s Liverpool, England, life expectancy fell to 25 years. A century prior, it was more than double that. People were literally working themselves to death.

In response, workers started to collaborate and organize as one. These fledgling unions quickly discovered that they could improve their lot by threatening to walk off or go on strike. These events could turn violent and often did. When the Baltimore and Ohio Railroad Company cut brakeman wages three times in 1877, it spurred one of the bloodiest strikes in U.S. history. Today called the Great Upheaval, the strike involved over 100,000 workers across six states. Federal troops were brought in to break up the strike and ended up exchanging gunfire with its armed leaders. When the dust settled, the strike resulted in over 100 deaths. More than any other strike at the time, that event spurred businesses to take unionization seriously.

"Not since the slaveholders had ceased to be haunted by dreams of a slave uprising had the propertied elements been so terrified," an anonymous author wrote in the *Locomotive Engineer's Journal* later that year.

The Great Upheaval, as portrayed by Harper's Weekly on August 18, 1877.

In the 1880s, businesses started experimenting with ways to navigate the union threat. Rather than lower wages or eliminate jobs, some factories started to cut costs by promoting from within and rewarding senior employees for their tenure. Around the same time, the Illinois Central Railroad Company invented the role of paymaster, an employee whose sole responsibility was to ensure workers were paid accurately and on time each month—even if it meant traveling by rail to do so. These benefits sound basic today, but they were among the first "HR hacks" ever devised.

While there was no agreed-upon name for this type of work, "labor relations" gradually emerged as a popular choice. It was a broad term that also encompassed recruiting. Some railroad companies and factories started instituting eye exams, reading tests, and technical case studies for new and existing hires. Like today's companies, they often outsourced interviewing to third-party recruiters during busy seasons or when a labor shortage required them to hire quickly.

These developments weren't entirely altruistic. Nineteenth century recruiters kept extensive blacklists with the names of individuals who allegedly participated in strikes elsewhere or had Marxist leanings. During onboarding, new hires were often forced to sign "yellow dog contracts," requiring them to remain unaffiliated as a condition of their employment. Some companies went as far as to hire inside employees or outside firms to spy on or sabotage unions. In many cases, the approach was less subtle. "Union busters," sometimes with the help of local law enforcement, would often conscript men to intimidate or physically assault workers on strike.

While labor relations emerged as a business practice in the nineteenth century, it wasn't yet a profession. Hiring and firing was generally left to the discretion of the shop floor managers and foremen. Company executives still routinely read employee payroll records themselves. It wasn't until the turn of the century when these responsibilities would take shape as a full-time profession.

1900 - 1935

The Personnel Department

Society’s obsession with science and productivity created the first HR team.

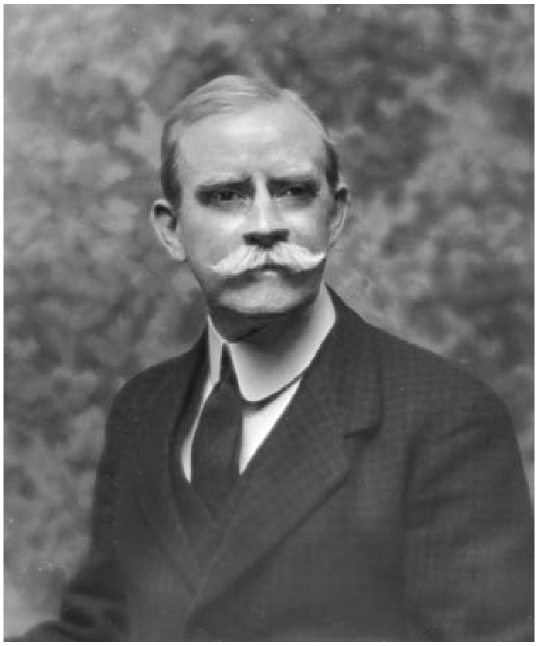
Stamp Division of the U.S. Post Office, Washington D.C. (1923)

The wave of new technologies that accompanied the Industrial Revolution spurred a society-wide enchantment with invention and science. Inventors like Alexander Graham Bell, Thomas Edison, and Nikola Tesla became household names at a time when only presidents or monarchs held celebrity status. Electric lights started to supplant smelly and dangerous gas lights, brightly illuminating city streets and workplaces. In 1904, an astounding 20 million visitors traveled to the World's Fair in St. Louis to see the technological innovations of the day.

If the general public was fascinated by science, business leaders were obsessed. They quickly latched onto electric light, as it meant being able to extend the workday into the night. The newspaper industry, prone to late hours already, especially loved the new technology as it liberated them from the "smoky-yellow glare" of the nineteenth century newsroom, as one editor put it. That industry boomed as a result.

Inventions empowered companies to produce more, but an emerging philosophy—Taylorism— encouraged them to do so more efficiently. Created by Frederick Winslow Taylor, a mechanical engineer, this approach to business encouraged factory owners to view production as a science. Every minute detail of work life warranted experimentation and analysis. At the Bethlehem Steel Company, for example, Taylor deduced that output of workers could be quadrupled if they were just equipped with better shovels. He went as far as to calculate that a workman's shovel should carry exactly 21 pounds—no more, no less. At the same time, Henry Ford was beginning to apply a similarly empirical approach to assembly line production at his factory in Michigan.

The combined forces of unionization and Taylorism finally came to a head in 1901. The National Cash Register Company, after a series of disastrous strikes and quality control issues, created the first-ever personnel department. While the department handled administrative tasks like hiring and firing, it was also tasked with handling employee grievances. The company's owner, John Henry Patterson, believed that efficiency was tied to factors other than just production methods. He was among the first business leaders to consider employee wellbeing as a prerequisite of success.



John Henry Patterson, owner of the National Cash Register Company.

In an unprecedented move, Patterson hired a woman, Lena Harvey Tracey, to lead his new department. He gave her team five guiding principles to follow. While they were written nearly 120 years ago, the principles should still resonate with HR leaders today:

> *1. Treat people well and they will treat you well. Be square with them.*
>
> *2. Do not try to take advantage of employees and do not try to get the last cent's worth of energy out of them.*
>
> *3. It pays to do good; it pays to help them help themselves in every moral and physical way and to also give them every possible opportunity of advancing.*
>
> *4. The basis of good product is labor, or workers who go forward willingly and enthusiastically as a team.*
>
> *5. Let every worker have the opportunity to make complaints and suggestions for betterments, reward them adequately, and make it impossible for a man to be fired on account of a personal dispute with the foreman or other subordinate.*

By 1904, Harrison and Tracey's personnel department had created a series of workplace "perks" that even today sound generous: a company library, moving picture shows at noon, fitness classes, company gardens, and even an on-site daycare. This new investment in employee wellbeing was called "welfare work." Even the most avowed Taylorists considered the benefits of welfare work, ever eager to experiment with new ways to boost productivity without upsetting workers and their unions.

At what might count as the first HR conference in history, industrialists and personnel department leaders from across the country met at the Waldorf Astoria in 1904 to exchange ideas. One of their takeaways? More opportunities for employee recreation were needed. "In large establishments, the plan of recreation may include a clubhouse, with rooms for dancing, entertaining, and for games," the attendees suggested. One of the businesses in attendance shared an even bolder proposition: giving employees access to an on-site bar.

Employee barroom in at a mining company's headquarters (1904)

Sports were seen as another way to boost employee morale. The Western Electric Company, one of the country's largest employers, built a basketball court within its New York headquarters on Broadway. The Bethlehem Steel Company built an entire soccer stadium for its steel workers in 1913. The company's team would eventually compete professionally and win five national championships.

These early personnel departments took an enlightened approach to productivity. For the first time in history, the term "family" started to be used in reference to employers and employees. But this critical work wasn't done simply because it was the right thing to do. Investing in things like corporate sports teams or holiday parties made business sense to these early HR pioneers. Patterson, looking back on his company's welfare efforts, was convinced that his efforts had ROI.

"Does it pay?" he mused in a write-up. "There is no charity in anything we do. Isn't it good business to lose three cents on a girl's lunch and get back five cents worth of work?"

Broadway on the Basket-ball Court

Broadway never got an opportunity to meet the West Street Baseball team or that of Fifth Avenue, but if either of those organizations feel still inclined to boast of their athletic prowess, the question can be decided upon the basketball court this winter. L. V. Mulvaney, the Tris Speaker of the downtown nine, has gathered together the makings of a fast quintet to represent 195 Broadway in the basketball world, and is anxious to hear from the rest of the WESTERN family.

Among the players who have answered the first call for the team are Hernandez, Schreiber, Wildung, and Horn. Manager Mulvaney is anxious to put out a first-class quintet and wants to hear from all lovers of the court sport.

A clipping from the November 1920 edition of the Western Electric News. The authors boast of the New York office's basketball prowess.

It went by a different name, but the HR profession had been born. Though the welfare movement won favor with many workers, companies would soon learn that even the glitziest perks couldn't paper over low wages and long hours. In time, those grievances would come to a head and earn the attention of lawmakers in Washington.

1935 - 1981

The Age of Compliance

A wave of union victories and pro-employee legislation forces HR to shift focus.

Systems Maintenance, Arlanda Airport. Sweden (1965)

While personnel departments were able to win over some employees with their welfare initiatives, union leaders had been skeptical since the beginning. After decades of bloody conflict with business owners, they had every right to be. They dismissed these early HR teams as "lady detectives," whose real purpose was to spy on employees and weed out those with pro-union sentiments.

While businesses increasingly offered perks like company game rooms and free lunches, wages stayed low, child labor remain legal, and weekly hours continued to creep upward. By 1929, the typical workweek was over 50 hours long. Unions knew that personnel departments had invested in the welfare movement to increase profits, not just to do workers a favor. When the Great Depression pushed wages even lower in the 1930s, these pressures came to a head and strike activity increased exponentially.

In 1934, San Francisco dock workers walked off the job to demand better pay and hours. After the strike dragged on for nearly two months, 1,000 police officers were sent to break it up. The resulting violence led to 64 strikers being seriously injured and two men being killed. "Bloody Thursday," as it was called, led to an even larger city-wide strike just days later.

After nearly fifty years, the spirit of 1877 persisted. But unlike in years past, workers weren't alone in the fight. President Franklin D. Roosevelt, who had just taken office in 1933, aligned himself with workers. The decision of Democratic leadership to embrace unions during the Great Depression paid immediate dividends, as President Roosevelt ultimately served four terms in Washington.

Department store workers on strike in San Francisco, California (1936)

In 1935, President Roosevelt signed the National Labor Relations Act, which protected employees' right to unionize and gave the federal government the authority to enforce union contracts. Three years later, he signed the most important piece of employment legislation in U.S. history: the Fair Labor Standards Act (FLSA). The law limited child labor, capped the workweek to 44 hours, and created a minimum wage of 25 cents an hour. It also created a new form of compensation: overtime pay. Overnight, the law transformed the Department of Labor (DOL), a once a toothless and ceremonial body, into one of the federal government's most powerful agencies.

Personnel teams had to shift focus. It wasn't enough for companies to say they were compensating employees fairly—they needed to prove it. Their anxieties weren't unfounded. Even in wartime, the Roosevelt administration took labor enforcement seriously. In 1940, the

DOL's investigative branch, the Wage and Hour Division, conducted over 6,400 inspections and awarded workers over $5 million in back pay. State governments, spurred by the FLSA and pro-union sentiments at the time, started investing in their own labor departments.

By this point, personnel departments were tasked with a long list of responsibilities, including hiring talent, running payroll, advising on organizational structure, improving employee wellbeing, and now managing regulatory compliance. The scope of the profession had expanded exponentially since Patterson's experiment in 1901. Historians regard the regulatory wave of the 1930s as a turning point in HR, because it effectively made the role a permanent business fixture. At the very least, companies still needed someone to handle labor law compliance.

In 1948, a group of 28 personnel managers from Ohio recognized this transition and met to discuss the state and future of their profession. They formed the American Society for Personnel Administration, a professional association which lives on today as the Society for Human Resources Management and boasts 285,000 members globally.

Over the next three decades, regulatory changes continued to both challenge personnel teams and cement their existence. The Equal Pay Act, signed by President John F. Kennedy in 1963, made it illegal to pay men and women different wages for the same work. One year later, President Lyndon B. Johnson signed the Civil Rights Act, which both created the Equal Employment Opportunity Commission and made workplace discrimination on the basis of gender, race, and ethnicity illegal. In 1970, President Richard Nixon signed the Occupational Safety and Health Act and created new regulations for workplace safety. At the same time, equivalent laws were being passed by states, counties, and cities across the country.

By the 1970s, three decades of regulatory upheaval had taken their toll. In a 1974 survey of personnel teams, now transitioning to the more in-vogue "human resources" moniker, respondents unanimously agreed that compliance represented their greatest challenge. One respondent cited the new constraints they felt when "hiring, firing, disciplining, directing, training, promoting and compensating subordinates." Or in other words, every responsibility we associate with HR today.

1981 - 2000

HR in the Information Age

Deregulation, globalization, and rampant downsizing casts HR as an office villain.

Los Angeles Times newsroom (1986)

The inauguration of President Ronald Reagan in 1981 marked a respite for HR teams still coming to terms with influx of new regulations over the last several decades. At a podium overlooking the Capitol, the president famously declared that "government is not the solution to our problem, government is the problem." When 13,000 air traffic controllers went on strike later that year, the president simply had them fired. If Roosevelt was the darling of unions, Reagan represented their arch nemesis. One popular campaign button summed up union sentiment succinctly: "Ronald Reagan is a Union Busing S.O.B."

By the early 1980s, personal computers had started to enter the workplace in growing numbers. The arrival of the human resources information system (HRIS) provided an affordable solution to teams who were still maintaining employee records on paper and microfilm. For the first time, employee and payroll data could be electronically stored in one place and easily referenced at a moment's notice. From their office computer or a designated kiosk, employees could even access their

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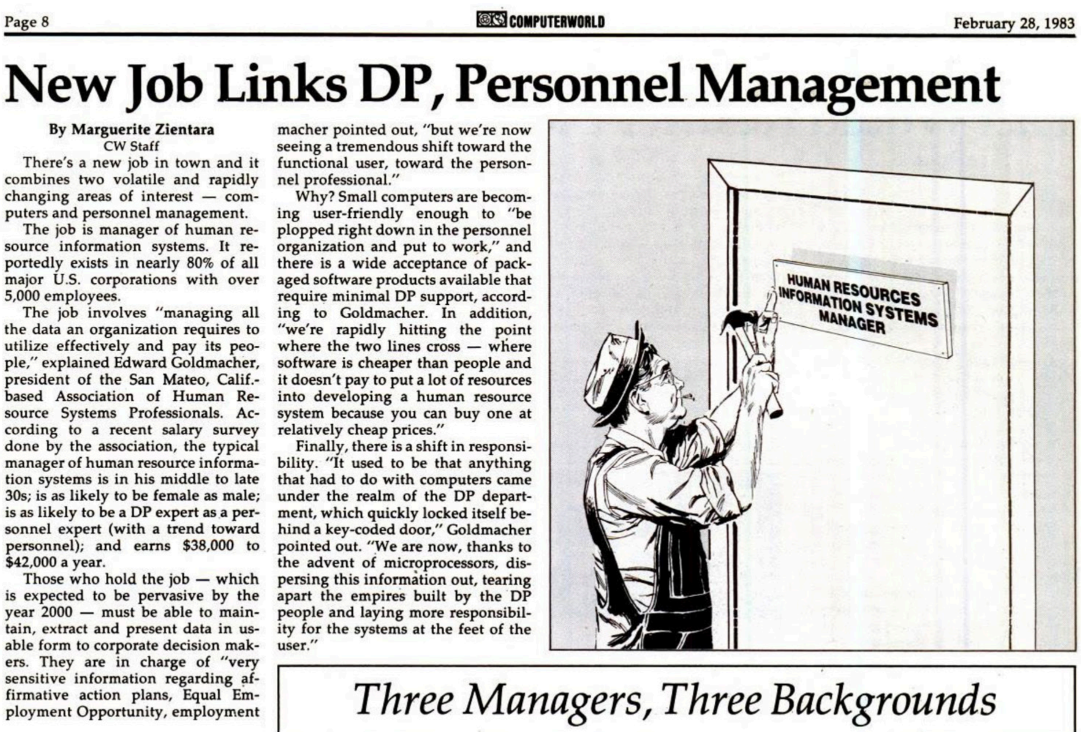
own records without asking for help. The emergence of the HRIS had the potential to free up hours of HR's time, empowering them to focus on more strategic and forward-looking tasks.

One writer in the February 1983 edition of Computer World hailed the arrival of the HRIS as a job-creator. A new role, the "HRIS Manager," would purportedly bring the antiquated profession of personnel management into the future. As the article's author confidently declared, "There's a new job in town, and it combines two volatile and rapidly changing areas of interest—computers and personnel management." With the arrival of the personal computer, businesses and the general public were again fascinated by science and technology. Entire books, like Computer Basics for Human Resource Professionals, were published to help HR professionals navigate the transition. Some of the frequently asked questions listed in the book included "Do computers need air conditioning?" and "Why can't I talk to the computer in regular English?"



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New Job Links DP, Personnel Management

By Marguerite Zientara
CW Staff

There's a new job in town and it combines two volatile and rapidly changing areas of interest — computers and personnel management.

The job is manager of human resource information systems. It reportedly exists in nearly 80% of all major U.S. corporations with over 5,000 employees.

The job involves "managing all the data an organization requires to utilize effectively and pay its people," explained Edward Goldmacher, president of the San Mateo, Calif.-based Association of Human Resource Systems Professionals. According to a recent salary survey done by the association, the typical manager of human resource information systems is in his middle to late 30s; is as likely to be female as male; is as likely to be a DP expert as a personnel expert (with a trend toward personnel); and earns $38,000 to $42,000 a year.

Those who hold the job — which is expected to be pervasive by the year 2000 — must be able to maintain, extract and present data in usable form to corporate decision makers. They are in charge of "very sensitive information regarding affirmative action plans, Equal Employment Opportunity, employment

macher pointed out, "but we're now seeing a tremendous shift toward the functional user, toward the personnel professional."

Why? Small computers are becoming user-friendly enough to "be plopped right down in the personnel organization and put to work," and there is a wide acceptance of packaged software products available that require minimal DP support, according to Goldmacher. In addition, "we're rapidly hitting the point where the two lines cross — where software is cheaper than people and it doesn't pay to put a lot of resources into developing a human resource system because you can buy one at relatively cheap prices."

Finally, there is a shift in responsibility. "It used to be that anything that had to do with computers came under the realm of the DP department, which quickly locked itself behind a key-coded door," Goldmacher pointed out. "We are now, thanks to the advent of microprocessors, dispersing this information out, tearing apart the empires built by the DP people and laying more responsibility for the systems at the feet of the user."

Three Managers, Three Backgrounds

A 1983 article in Computer World hails the HRIS as a job creator.

In reality, the relationship between HR teams and this first wave of technology wasn't always so positive. Coupled with Reagan's deregulation efforts, the arrival of the HRIS led many corporations to gut their HR departments. Some activities, like benefits administration and payroll, were simply outsourced to consulting firms. HR was down, but not out—there was one critical duty that company owners still needed HR teams for.

With developments in computing and the eventual arrival of the internet, businesses had new opportunities to improve their bottom lines by automating tasks or transitioning roles overseas. For the first time, the term "globalization" entered the public's lexicon. In 1987 alone, an estimated 3.5 million U.S. workers lost their jobs to downsizing or outsourcing. Management brought HR into the fold as confidant, asking them to help craft and rationalize downsizing strategies and identify organizational redundancies. Though it represented an unfair and narrow understanding of their work, workers characterized HR as a malevolent force—"angels of death," as they were sometimes referred to.

Ultimately, the downsizing craze was all for naught. A subsequent survey in 1995 found that less than half of the companies who participated were actually more profitable for it. Critics derided the practice as "dumbsizing." And perhaps worst of all, HR teams were seen as complicit partners.

2000 - present

The "People Department"

Two dark decades trigger a return to philosophies purpose of the first HR team.

THE “PEOPLE DEPARTMENT”

Facebook headquarters. Menlo Park, California (2017)

The 1980s and 90s damaged the trust between HR and employees. Mass layoffs, a decline in unions’ authority, and globalization left a sour taste in the average American workers’ mouth. Business leaders’ focus on efficiency and profit did little to help, nor did their embrace of Gordon Gekko’s infamous “greed is good” philosophy. Simply put, it was Taylorism without the kind of heart leaders like John Henry Patterson knew was critical back in 1901.

Since the early 2000s, HR teams have sought to repair the relationship between employees and employers. Their first step was addressing the most obvious problem: their profession’s name. The term “human resources,” first popularized by the military, had been used since the early 1900s a way to distinguish between workers and other *natural resources*, like timber or coal. Under this original definition, production supplies, fuel, and human beings were all accounted for in the same way.

Increasingly, teams have opted to shed this terminology. One of the most obvious signs is the variety of titles teams use today. One industry report found that companies were gradually moving towards incorporating words like “people” or “talent” into their departments or job titles. Some go even further—the same report found unique job titles like Chief Happiness Officer, Head of Optimistic People, and People Guru. While it takes more than a rebrand to signal intent, the new verbiage represents a step in the right direction.

With passage of the Affordable Care Act in 2010 and the law's associated reporting requirements, navigating compliance continues to be a challenge for teams. But in the absence of any one political party dominating affairs in Washington, the pace of federal reform has slowed dramatically. The national minimum wage hasn't been updated for over a decade. Efforts to reform overtime rules failed in 2016. And paid family leave remains exclusively a state and local benefit.

In the absence of regulatory turbulence at the national level, HR professional have been partly freed to focus on activities akin to those tackled by early personnel teams. Employee welfare, sporting a new name—"engagement"—has reemerged as a central focus of people teams today.

After an 80-year hiatus, in-office game rooms and even bars have reemerged. Employees are increasingly afforded the opportunity to work remotely, take family leave, and even request sabbatical. Some employers have gone as far as to offer workers unlimited vacation. The champions of these perks remain convinced of their business value. There's merit to that argument, as U.S. companies reportedly lose up to $7 trillion dollars due to disengagement each year.

Today, engagement is tracked like any other business metric. Employee surveys are issued on a quarterly or even monthly basis to track worker sentiment over time. Companies purchase and implement software to better facilitate peer recognition and feelings of belonging. Doubling down on their work, people teams go as far as to invite staff to rate their experiences in a online forum accessible to the general public.

Call it a comeback of Patterson's enlightened approach to Taylorism. Twenty-first century people teams have embraced the connection between employee wellbeing and company profitability. Equipped with new technologies and a willingness to experiment like Patternson did, these new leaders look set to write their own history.

Conclusion

CONCLUSION

Today, there's no shortage of opinion pieces questioning the value or purpose of HR departments. Does the modern world of work need HR? After a century of soul-searching, HR leaders can't help but occasionally ask the question themselves.

Eager to focus on the future, the profession's thought leaders are quick to dismiss the past. After all, the history of "personnel management" doesn't sound like the most inspiring thing to reflect on. But to truly understand what HR could be—what it should be—one needs to refer to the profession's 150 year history.

In an 1896 edition of Engineering Magazine, a writer named Henry Roland unknowingly identified the purpose of HR before the profession even existed: **"achieving a company's financial success, along with full and happy lives for the workers."**

Business success and fulfilling lives—now those are two key performance indicators worth aspiring to.

Namely HR for Humans