Accounting, publicity and class conflict in Victorian Britain

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This paper studies the role of publicly available accounting information in class conflict between capital and labour in Victorian Britain. The company investigated – the Staveley Coal & Iron Company Ltd – is one of the earliest industrial enterprises registered under the Companies Act 1862. The period studied is 1863, when the company was incorporated, through to 1900 by which time the workforce comprised approximately 6,400 colliery and iron workers. The history of the company is contextualised in two ways. First, by positioning it within the coal and iron industry in terms of market share, size and profitability. Second, by locating Staveley's labour management policies within relevant contemporary economic theory. It is then revealed, through an in-depth study of the company's archives, that the directors sought to manage and manipulate the workforce through the provision of welfare facilities and by denying worker access to accounting information relevant for wage bargaining purposes. The study also unveils the directors' report as an instrument deployed to project the image of a caring employer and to explain, to its shareholders, the sound business sense of committing resources for that purpose.

Keywords: accounting history; capital and labour; class conflict; corporate disclosure.

1. Introduction

This paper draws on an extensive corporate archive to study strategies employed to manage and manipulate the labour force in Victorian Britain. There is an existing literature focusing on the ways in which management accounting was used to measure and control labour within the workplace (e.g. Miller and O'Leary 1987; Hopper and Armstrong 1991; Walsh and Stewart 1993; Bryer 2005; Bryer 2006; Edwards 2018). The concern here, however, is to research the role of external financial reporting practices in the class struggle between capital and labour.

Over a quarter of a century ago, Bryer (1993, p. 678) argued that 'from the 1870s and especially the 1890s, when workers began to question the level of wages and the division of industrial income between wages and profits …, the public disclosure of profitability was seen as "fraught with danger"'. He further observed that this important issue had been 'almost universally ignored by accounting historians' (Bryer 1993, p. 678). Relevant chapters of the recently published *Routledge Companion to Accounting History* (Edwards and Walker 2020) indicate that this continues to be an area of relative neglect, but some important contributions require recognition.

Two case studies fall within the time period of the present paper. Gallhofer and Haslam (2020, p. 586) provide context for their investigation of the affairs of Bryant & May Ltd and Brunner, Mond & Co. Ltd by observing that 'Late-nineteenth-century Britain was shaped by crisis and conflict … Wages were low and work was long and intense'. Initiatives, from individuals and social conscience groups such as the Fabian Society, sought to improve conditions of the working class. Strategies employed shared 'a concern to make poverty and injustice visible through the publicity of "facts"', with accounting recognised as a potentially powerful tool for that purpose (Gallhofer and Haslam 2020, p. 587). The aim was to mobilise accounting to make visible the sharp contrast between high profits and dividends generated for investors compared with the poor wages and living conditions of the workforce.

The socialist journalist and activist, Henry Hyde Champion, shone light on matchmakers Bryant & May and its poorly-paid female workforce. Champion drew on the content of accounts published by Bryant & May in the 1880s to pose the following question: 'What is the average wage of workers who produced this 20% [return on capital]?' (quoted in Gallhofer and Haslam 2020, p. 588). The prominent Fabian, Annie Besant, made use of publicly available data on share prices as well as dividends, for the same company, to reveal an *overall* return for investors of 38 per cent. To highlight economic and social injustice, Besant demanded statutory requirements for corporate disclosure of wages and working conditions (Gallhofer and Haslam 2020, pp. 589-590).

Champion also set his sights on Brunner, Mond, a highly-successful chemical company which merged with three others to form Imperial Chemical Industries Ltd in 1926. Whereas the head of Brunner, Mond, John Tomlinson Brunner, 'used the annual accounts as a vehicle for praising company success', Champion analysed their content to demonstrate the immense dichotomy between the financial benefits derived by its shareholders relative to those of its workers (Gallhofer and Haslam 2020, p. 591). For example, Champion estimated that it would take a worker 7,692 years to 'accumulate the same amount as John Tomlinson Brunner accrued over eight years' (Gallhofer and Haslam 2020, p. 591). He also drew attention through the columns of *The Labour Elector* – a socialist publication that he edited – to a range of measurement and disclosure practices employed, during the 1880s, which were designed to conceal the extent of Brunner, Mond's profits and dividends. Although Champion soon afterwards departed for Australia, 'disillusioned with political activism in Britain', Gallhofer and Haslam (2020, p. 591) believe he 'successfully contributed to a critical questioning of the socio-political order through accounting publicity'.

Moving a little beyond the time-frame of the present study, Arnold (1997) argues that *Newton v. Birmingham Small Arms Company* 1906 – celebrated in the accounting literature as providing a 'charter for the creators of secret reserves' (Samuel 1933, p. 278) – is also notable for references made to 'tensions between labour and capitalistic interests' (Gallhofer and Haslam 2020, p. 592). In making the case for maintaining secret reserves, Sir R.B. Finlay, K.C., for BSA, highlighted the 'difficulties' that may otherwise 'be caused between rival traders or between capital and labour' (*Newton v. Birmingham Small Arms Co. Ltd* 1906: 2 Ch., 384). Lord Justice Buckley, consistent with this line of argument, insisted that 'undue publicity … may often be very injurious to traders, having regard to the rivalry of competitors in trade, to complications sometimes arising from strained relations between capital and labour, and the like' (*Newton v. Birmingham Small Arms Co. Ltd* 1906: 2 Ch., 389).

Arnold (1997, p. 163) also pointed out that during World War I – a time when the government sought to encourage wage restraint – 'company profits and their disclosure were matters of considerable, class-based, public concern'. The essential problem was that supplying accounting information for investors was 'bound to provide information to organized labour relevant to bargaining on wages and employment conditions' (Arnold 1997, p. 164). The failure of Companies Acts to pay much attention to corporate disclosure is attributed, by Arnold (1997, p. 164), to a suspicion that 'the state, during a period of economic and social upheaval, did not believe that it was worth informing the capital markets if it also meant informing the unions'. Gallhofer and Haslam (2006, p. 227) offer a further example of how the socialist literature drew on published accounting information to highlight exploitation of the workforce in the 'politically charged context of Red Clydeside during the crisis period of the First World War and its aftermath'. The columns of *Forward* – a radical weekly newspaper founded in Glasgow by Thomas Johnson and some Fabian friends – drew on the content of company accounts to demonstrate the manipulative character of capitalistic accounting practices designed to 'hide enormous profits' (Gallhofer and Haslam 2006, pp. 243).

An article penned by a leading chartered accountant of this era – Sir Arthur Lowes Dickinson[1] – is notable for a discussion of how improved publicity might help to replace 'continually recurring disputes … between capital and labour' by a 'better understanding between employers and workers' (Dickinson 1924, p. 469). In his estimation, a precondition for improved industrial relations was abandonment of 'the old idea that a business is owned entirely by, and should be run entirely in the interests of, those who contribute the capital' (Dickinson 1924, p. 469). His radical notion that the content of published accounts should be expanded in the endeavour to improve understanding between investors, management and the workforce, rather than abbreviated to keep labour in the dark, did not receive a receptive audience in the 1920s.

The above episodes focus on the significance of published accounting information for the relationship between owners, management and the workforce. The present paper extends this work by addressing the following research question: Is there evidence to prove that corporate financial reporting practices were intentionally exploited by British management as part of the class conflict between capital and labour? In the course of providing a positive answer to this question, this study lays bare the extent to which corporate management sought to maximise investors' wealth and, in the pursuit of that objective, to minimize workers' wages.

The research methodology designed to construct a narrative of the relevant history of the Staveley Coal & Iron Company Ltd (SCI Ltd) comprises a detailed examination of the company's archival records from incorporation in 1863 through to 1900,[2] as further informed by relevant historical sources; in particular, the content of contemporary government reports and both local and national newspapers.

The remainder of this paper is organized as follows. The next two sections contextualise events studied in this paper. First, by locating SCI Ltd within the coal and iron industry in terms of market share, production scale, labour force size and profitability. Second, by rehearsing contemporary economic theory and management policy at SCI Ltd concerning wage level determination and the division of value added between capital and labour. The paper then moves on to explore the ways in which SCI Ltd's published accounts, together with other information released into the public domain, were deployed to manage and control the labour force. First, management

[1] Waterhouse qualified in 1883, was a leading figure at Price, Waterhouse & Co. for 35 years and served on the Council of the Institute of Chartered Accountants in England and Wales from 1914 to 1928 (Edwards 2004).

[2] The records of SCI Ltd are located at the Derbyshire Record Office (DRO), catalogue reference no. D3808.

pursued a portfolio of welfare policies designed to project, to the workforce, the image of a caring employer while, for shareholders, the directors' reports served to explain and justify the costs associated with the pursuit of welfare capitalism. Second, every effort was made to deny workers' access to the published accounts on the grounds that they contained information that might prove useful in the quest for higher wages. Concern that workers would nevertheless gain access to the accounts caused management to manipulate their content so as to understate the rates of return generated for shareholders. These latter tactics are of particular interest to students of corporate disclosure practices. It has long been known that, in the nineteenth century and beyond, corporate management pursued a policy of publishing less information rather than more; a policy justified by the need to deny competitors access to sensitive financial information. In contrast, the possibility that non-disclosure was motivated by issues of class conflict remains relatively neglected (Bryer 1993).

2. Market share, size and profitability

In 1840 the Staveley Works, whose origin dates back to 1652, came into the hands of Richard Barrow who had amassed a fortune, together with his brother John, as a London-based merchant trading with Spain, Portugal and China (Chapman 1981, p. 41). John retired to a country estate while Richard, at the age of 53, embarked upon a new career as coal and ironmaster. Over the next 23 years he did away with most of the old plant, erected two new furnaces and sunk a series of pits. Whereas in 1840 the iron works, coal and ironstone mines, employed 500 men producing 50,000 tons of coal and 5,000 tons of castings, in 1864 3,000 men mined over 500,000 tons of coal and manufactured 20,000 tons of castings (Staveley Collieries and Iron Works 1863, p. 3; Chapman 1981, pp. 42-45).

By 1863, Barrow was in his mid-seventies and, with no heir to succeed him, arranged to sell his business to SCI Ltd, newly incorporated for that purpose, for £492,067 2s. 9d (Directors' Report 1864, DRO, D3808/1/6/1); a sum equivalent to about £48 million in today's purchasing power. This enabled Barrow to reap the financial benefits of his hard work and 'offered the opportunity of continuity for a business to which he had devoted his creative energy for a quarter of a century' (Chapman 1981, p. 70). At the date of sale, Barrow was 'the owner of the largest collieries in Derbyshire' (Williams 1959, p. 37; see also p. 38) and this situation continued, following incorporation, through to 1900.

Tables 1 and 2 reveals that, from 1863 to 1900, Derbyshire was a leading county in the production of coal and iron in England, contributing between 6.9 per cent and 9.4 per cent of the nation's coal and 9.3 per cent rising to 12.7 per cent of the nation's iron. The 511,252 tons of coal mined by SCI Ltd in 1863 were extracted from five collieries and accounted for 11.2 per cent of Derbyshire's output. Total tonnage almost tripled to 1,444,200 by 1900, although the company's share of the county's output fell a little to 9.4 per cent. However, by 1900 Staveley had also opened the Warsop Main colliery in Nottinghamshire which yielded a further 335,000 tons of coal in that year. The number of furnaces in blast at Staveley rose from two in 1863 to 9.2 in 1900 when the company accounted for nearly one quarter of the county's pig iron production. SCI Ltd developed an extremely successful pipe-casting business from the date of incorporation through to the 1880s. Iron pipes of up to 56" in diameter were sold to gas and water boards throughout Britain as well as to a 'growing number' of customers on the Continent and in the colonies (Chapman 1981, p. 79). As the piping business stagnated, the company procured a wider market for its pig iron and was highly successful in marketing its coal to massive railway companies such as the Great Eastern (Chapman 1981, pp. 90-91).

Table 1. Colliery statistics

Year	1863	1880	1900
England			
No of collieries	2,302	2,728	2,502
Output	66,419,584	109,731,487	163,631,534
Derbyshire			
No of collieries	153	235	195
Output	4,550,750	7,903,834	15,315,447
Output as % of England	6.9%	7.2%	9.4%
Staveley			
No of collieries in Derbyshire	5	8	11
Output	511,252	760,000	1,444,200
Output as % of Derbyshire	11.2%	9.6%	9.4%

Sources: Chapman 1981, p. 45, p. 76; Mineral Statistics 1864, p. 82; Mineral Statistics 1881, p. 77, p. 82; Mines and Quarries 1901a, pp. 14-15; Mines and Quarries 1901b, p. 145; Staveley archives.

Table 2. Manufacture of pig iron. Furnaces in blast

Year	1863	1880	1900
England			
Furnaces in blast	333.75	379	299
Derbyshire			
Furnaces in blast	31	40	38.1
As % of England	9.3%	10.6%	12.7%
Staveley			
Furnaces in blast	2	7	9.2
As % of Derbyshire	6.5%	17.5%	24.1%

Sources: Chapman 1981, p. 76; Mines 1901, pp. 53-65, 77-90, 103-124, 137-153, 167-179, 185-203, 249-268, 277-293, 299-317; Mineral Statistics 1864, p. 67, p. 70; Mineral Statistics 1881, p. 109, pp. 215-218; Mines and Quarries 1901b, pp. 230-233.

The number of workers engaged in coal and iron production increased dramatically over the study period. The 3,000 or so working for SCI Ltd in 1863 had risen to between four and five thousand men and boys by 1868 (Markham to Royal Commission 1867-1868, minute 11486). The report prepared by His Majesty's Inspectors of Mines, for the year 1900, shows 4,335 employed at the 11 mines located in Derbyshire (Mines 1901, pp. 185-194). Of the other 86 enterprises operating in Derbyshire, at that date, only the Butterley Company Ltd owned more collieries – 14 – but just 2,379 men were engaged at those locations (Mines 1901, pp. 185-196). Adding the 1,058 engaged at Worksop Main in Nottinghamshire (Mines 1901, p. 201) and SCI Ltd's estimated 1,000 ironworkers gives a total workforce of just under 6,400 at the end of the nineteenth century.

Studies by business historians confirm that SCI Ltd remained a major player in the coal and iron industry during the first decade of the twentieth century, and also a leading corporate employer. Wardley (1999, pp. 102-105) discovered that, of the 130 largest UK employers in 1907, 44 were engaged in coal mining and, in most cases, also iron and/or steel production. These companies together employed 348,927 workers giving an average of 7,930 compared with the 8,800 he believed were working at SCI Ltd at that date. Jeremy (1991, p. 97), in contrast, gives a figure of 6,500 employees. The true figure probably lies somewhere between those two estimates. Taking the 6,818 colliers from the List of Mines for 1906 (Mines 1907, p. 296 and p. 304) and adding on Chapman's estimated 1,000 ironworkers suggests roughly 7,800 employees at SCI Ltd in 1907. Locating the company among the UKs largest corporate employers in that year, Wardley (1999, p. 103) ranks SCI Ltd 50th compared with Jeremy's 54th (Jeremy 1991, p. 97).

The half century commencing around the time of SCI Ltd's formation was one of 'continuing change and challenge for the British iron industry' due to growing competition from steel and from Continental and US producers of pig iron and cast-iron pipes (Chapman 1981, p. 64, p. 89). It was also a period that encompassed the 'Great Depression' – a contemporary term used to describe a world-wide economic downturn that began in 1873 and lasted until 1896 (Rosenberg 1943). More specifically, in the context of the present study, it was 'a period of depression for the coal and iron trades' (Chapman 1981, p. 75) with individual companies also the subject of intense intra- and inter-regional competition arising from the sheer number of productive units competing for work. The impact of competition featured prominently in directors' reports (DR, e.g. DR 1873, DR 1875, DR 1879) to SCI Ltd's shareholders throughout much of the study period.

The success of SCI Ltd, during this turbulent era, was substantially due to its talented leaders – Charles Markham 1863-1888 and his son Charles Paxton Markham thereafter – who surrounded themselves with professional managers and brought in consultants, such as the noted civil engineer William Armstrong, when specialist advice was required (Chapman 1981, p. 76, p. 88; Pitts 2001). The outcome was that SCI Ltd achieved 'star performance as a dividend producer' (Chapman 1981, p. 72). Over the first seven years of the company's existence, the original shareholders, assuming they did not sell their shares, received repayment of their entire initial investment.

We can therefore conclude that SCI Ltd was a major player in the coal and iron industry throughout the study period, a leading corporate employer in the UK at the beginning of the twentieth century, and a very profitable company. The next section studies Staveley's labour management policy in the light of contemporary economic theory.

3. The market for labour

From the eighteenth century onwards, classical economists offered a range of theoretical explanations for prevailing wage levels. According to the pioneer of political economy, Adam Smith (1776), workers and employers would each naturally pursue their self-interest with wage levels determined in the marketplace through the law of supply and demand. Smith's further belief that the demand for and, therefore, the price of labour could increase only in response to a rise in the fund available for paying wages formed the foundation for 'wage-fund theory'. Although there were different definitions of the 'wage-fund', and acceptance of the fact that its size would fluctuate over time, there was general support for the proposition that, at any given moment, the amount was fixed and the average wage could be determined by dividing its value by the number of workers. In the words of another Scottish economist, John Ramsay McCulloch, writing in 1823: 'wages depend at any particular moment on the magnitude of the Fund or Capital appropriated to the payment of wages compared with the number of laborers ... . Laborers are everywhere the divisor, capital the dividend' (quoted in Lapides 2008, p. 67). Wage-fund theory spawned the argument that it was in labour's interest to work harder so as to increase the fund out of which wages were paid. If, however, workers attempted to increase wages beyond their 'natural' level through, for example, trade union activity, the effect would be to damage capital accumulation and, inevitably, wage levels.[3] We will see that these ideas were entirely consistent with views held by Charles Markham and the rest of SCI Ltd's board of directors concerning management and remuneration of the workforce.

3.1. *Markham, unions and the law of supply and demand*

A number of initiatives designed to unionise the Derbyshire miners were mounted during the second quarter of the nineteenth century (Williams 1959, pp. 88-97). One such scheme saw the creation of the Miners Association of Great Britain and Ireland in 1841. 'To the [colliery] Owners' Association the union was "uncalled for and unjust"' (Griffin 1971, p. 71), and successful resistance to union demands caused the Association to decline in importance 'until by 1848 it had, for all practical purposes, ceased to exist' (Williams 1959, p. 97). The 'prosperous' 1850s, which witnessed significant increases in miners' wages, was a period of relatively harmonious industrial relations in the coalfields (Williams 1959, p. 98).

A revival of interest in workers' organizations saw the formation of the Miners' National Union, in 1863, and a regional institution labelled the Derbyshire and Nottingham Miners' Association in 1865 (Williams 1959, p. 102). 'As the movement gathered force, [well-supported] meetings were held in an increasing number of centres' (Williams 1959, p. 105). This positioned the workers on a collision course with management with, at SCI Ltd, Charles Markham the dominant participant (Chapman 1981, ch. 3). Staveley has been described as one of the 'great anti-union companies' in the East Midlands (Church 1986, p. 289; see also p. 661) and Markham as 'One of the most vehement critics of trade unions' (Church 1986, p. 661). Or, as Chapman (1981, p. 83) put it, 'Markham stood in the front rank of opposition' among the Derbyshire coal owners in 1866.

The key role of Staveley in that conflict can be inferred from the fact that six of its employees (three managers and three workers) were subsequently called to give evidence before the Royal Commission appointed, in 1867, to inquire into the organization and rules of trades unions. Markham's views on the appropriate relationship between capital and labour are made crystal clear both in evidence presented to the Commission and in letters published in the national and local press. He voiced his interpretation of the events, of 1866, in the following terms (Royal Commission 1867-1868, minute 11491): 'We understood from what transpired that they [the unions] wished to become dictators of our property, and to manage our works in their own kind of way'. Markham further informed the Commission that two or three thousand Staveley men attended a 'gigantic meeting at Chesterfield' and they

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[3] Wage-fund theory came under attack from around the start-date of this paper, by economists who argued that the price of labour was principally determined by consumer demand for business outputs, but the theory remained influential until the end of the nineteenth century.

'stopped all our pits suddenly without any intimation, and the men ceased working all through the district' (minute 11501).

Markham met a delegation of Staveley workers and, when they confirmed their intention to form a union, 'ascertained the names of the chairmen and committee men and secretaries, amounting to 78' and, also in his words, 'discharged the whole of them'. Subsequent agitation resulted in 'nearly 3000 men under notice [to leave SCI Ltd] or on strike' (minute 11501). The workers were initially determined, resolute and optimistic, but the funds of the union proved insufficient to support the strikers partly because some union members, still working, failed to make their required weekly contributions. By the end of January 1867, 2123 men had been enrolled in the Markham-inspired Non-union Society, at Staveley, and soon the 'union was crushed' (Williams 1959, p. 114).

A little later Markham expressed his philosophy on industrial relations in a letter printed in Britain's then premier newspaper, *The Times*.[4] There, Markham expressed his conviction that wages and work practices were best decided through direct negotiation between workmen and their employers. In his estimation, it was due to the actions of trade unions that, 'For many years past, there have been incessant conflicts between capital and labour in almost every part of the country where the iron and coal trades are largely developed' (Free labour 1868). In a further letter to *The Times* dated 13 October 1877, Markham, consistent with contemporary economic theory,[5] insisted that workplace practices, in particular wage rates and hours worked, should take full account of market conditions:

> There can only be one real test of the value of labour and that must be *supply and demand*. The colliers in this locality had at one time their wages nearly doubled, and recently they have been reduced to a more normal condition, and although strikes have been resorted to they have been utterly powerless in every part of the country to resist the natural laws that regulate supply and demand (Labour and capital 1877, emphasis added).

Markham returned to this theme in an address to colliers, threatening to go on strike, reported in *The Derbyshire Times* in 1883.[6] There, he rehearsed his conviction that it was impossible to sustain arrangements contrary to the forces of supply and demand. Thus, a 'great combination of colliers, or any other class of workmen, could unquestionably create a great disturbance in their trade, but when the dispute was settled the workmen might find a considerable portion of the trade had been driven away' to competitors with lower labour costs at home or abroad (Mr. Charles Markham and the impending strike of colliers 1883). In an endeavour to project the image of

[4] Copies of *The Times* accessed through The Times Digital Archive at: https://www.gale.com/intl/c/the-times-digital-archive.

[5] Markham was educated at the University of Edinburgh located in a city with which Adam Smith had numerous academic and domestic connections (Winch 2004). Markham studied chemistry but, coming from a middle-class family of lawyers, he would likely have been conversant with the ideas of political economists (Chapman 1991, p. 72).

[6] Copies of provincial newspapers accessed through the British Newspaper Archive at: https://www.britishnewspaperarchive.co.uk/search/advanced.

caring employer within the public domain, however, Markham claimed that, 'Whenever a substantial advance takes place in the price of coal, no one will be more delighted than the Staveley Company to advance wages' (Mr Charles Markham and the impending strike of colliers 1883). One might imagine that this was a genuinely-held conviction given his belief in the forces of supply and demand, but we shall see in section 5 of this paper that SCI Ltd's board minutes contain incontrovertible evidence that wages policy was designed principally, perhaps entirely, to promote the owners' financial interests.

It was the company's mine workers, which contained a significant itinerant element,[7] that were the main source of industrial unrest at SCI Ltd. Chapman (1981, p. 149; see also p. 84) contrasts colliers with 'foundry workers … whose members were nearly all recruited locally and trained in the works'. In earlier times, it was usual to remunerate colliers based on the 'butty' system, whereby the operation of an entire mine was sub-contracted to the head man remunerated on a piece rate basis. and it was he who decided how much to pay each of his men.[8] A modification of this arrangement, increasingly adopted by nineteenth century coal companies, was the 'stall-worked system', described by Thomas Henshaw (one of SCI Ltd's colliers) as a length of the pit (the stall), typically between 40 and 100 yards, sub-contracted to a head man whose 'gang' included two or three other colliers (Royal Commission 1867-1868, minutes 13806-13809, 13819).[9] The foundry manager, William Knighton, informed the Commission that the ironworkers were also employed on a piecework basis with work contracted to the 'best men that understand their business, and can be depended upon for the quality of the work' (minute 13227). Markham explained why he favoured these arrangements in his usual blunt style: 'the only mode of getting rid of trades unions will be by adopting an universal system of piece work' (minute 11723).

Sections 4-6 of this paper reveals how SCI Ltd's management sought to portray the company as a caring employer through the provision of welfare facilities, but one which denied worker access to accounting information relevant for wage bargaining purposes.

4. Rhetoric and reality of welfare practices

SCI Ltd drew on the following communication networks to project the image of a caring employer through the provision of first-rate welfare facilities: the annual published accounts, the annual general meeting (AGM) and the press. In the absence of statutory requirements for accountability during the period 1856-1900, the content of published accounts was governed by a company's articles of association with, as is the case today, the directors at liberty to publish more in order to better inform investors of corporate progress and for purposes of impression management (Edwards and Webb 1985, pp.

[7] In 1865, the company's colliery workers included 'some 500-600 Irishmen, who congregated in Chesterfield' in a downmarket district known as the 'dog kennels' (Chapman 1981, pp. 48-49).

[8] The Children's Employment Commission 1842 collected harrowing evidence of the ways in which the 'butties' treated colliers, who became 'old men before they are young ones', and boys subjected to severe corporal punishment (Williams 1959, pp. 63-66).

[9] There were also unskilled labourers – for example, surface workers and those assisting in the layout a railway underground – who were remunerated on a time basis.

177-179; Merkl-Davies and Brennan 2007). The Companies Acts 1856 and 1862 contained model articles for adoption by newly incorporated companies, of which SCI Ltd was one of the earliest. In common with other iron and coal companies, SCI Ltd's articles contained fewer disclosure requirements than were anticipated in the model articles of association (Edwards and Webb 1985), but in two important respects they included more. First, the articles contained an obligation to publish a directors' report and, second, the directors were empowered to set aside profits for the purpose of 'improving' and 'enlarging' the property of the company and 'for any other purposes connected with the business of the company' (Articles of association 1863, article 110). The first of these provisions enabled the directors to broadcast the company's welfare policies while the second empowered the directors to manipulate the level of reported profit (see section 6.2).

The remainder of this section critically examines actions taken to improve the working and living conditions of the labour force and the ways in which the published accounts, and other public avenues of communication, were exploited to project the image of a caring employer. The directors' reports, which feature prominently in this part of the study, were not of course crafted for the purpose of convincing the workers that they were fairly treated; as we will see in section 6 of this paper, SCI Ltd's directors did their level best to deny workers and their trade union representatives access to the published accounts. Also, what was important for the workforce was not the rhetoric surrounding the company's welfare policies but the actions actually taken to improve their working and living conditions. Thus, the principal role of the directors' report was to enhance shareholders' understanding of corporate performance and, in the context of employer/labour relations, (i) to project the image of a company genuinely concerned for the welfare of its workforce, and (ii) to demonstrate the sound business sense of spending money to achieve that objective.

4.1. *Community building or flagrant self-interest*

Chapman (1981, p. 148) believes that the 'enduring industrial relations polices' pursued by successive Staveley enterprises were designed 'to create loyal communities of workers'. Richard Barrow, who owned and ran the Staveley Works from 1840 to 1863, 'worked hard to build up "human capital"' by creating a 'loyal labour force' through the payment of better wages and the supply of social amenities (Chapman 1981, p. 48). Two companies in Derbyshire took earlier steps to improve the conditions of its workers through the provision of housing, schools, mechanics' institutes, libraries and places of worship (Chapman 1981, pp. 150-151). These were the Butterley Company based at Ironville and the Clay Cross Company, near Chesterfield, founded by the legendry railway engineer, George Stephenson.[10] In due course Richard Barrow and, following incorporation, the directors of SCI Ltd equalled and, arguably, surpassed those early initiatives through the pursuit of policies which Chapman (1981, p. 148) captures under the heading 'Community Building' – a term 'not intended as a gloss on what were sporadically conflict situations' but a reality reflecting industrial relations policies designed to create a loyal community of workers. Again Chapman (1981, p. 163): 'The amenities offered at most works were much more modest, and the owners much less paternalistic than the Markhams and their friends'. In that respect, the

[10] From 1838 to 1848, Stephenson occupied Tapton House, Chesterfield; a Georgian mansion which later became the home of Charles Markham and, afterwards, his son.

Stanton Iron Works – a local competitor that eventually merged with SCI Ltd in 1960 – is 'identified as a more typical concern' (Chapman 1981, p. 163). However, Chapman (1981, p. 148) acknowledges the probability that the Staveley company's welfare policies were driven by 'a not-too-subtle calculation of the advantages gained by the employers rather than a philanthropic concern for the wage-earners'.

An important early initiative was Richard Barrow's construction of 247 'superior' cottages for workers at the eponymous 'Barrow Hill' between 1852 and 1855 (Chapman 1981, p. 153). Barrow also contributed financially to the Mechanics Institute movement designed to encourage the labouring class to engage in literary pursuits – reading, discussion and attendance at lectures – rather than the traditional 'debasing amusements' such as cock or dog fighting, rabbit coursing, pigeon shooting and excess drinking (Chapman 1981, p. 150; Church 1986, pp. 284-285). Construction of the Staveley Institute began in 1852 and this early adult education initiative was followed, in 1856, by the provision of a local school for the education of workers' children.

Actions designed to 'improve' the working classes, following incorporation, were reported in the annual accounts. The following content of the 1867 directors' report served as a 'mission statement':[11]

> Your Directors will continue to contribute by every means in their power to the comfort of the workpeople, by giving the best wages to all industrious workmen, by providing them, as far as practicable, with convenient cottages, gardens, &c., and by supporting Schools for the education of the Children, and other facilities for their intellectual and moral instruction.

The remainder of this section critically assesses actions taken to achieve that vision.

Danger in the workplace.

Death and injury in the workplace were commonplace in the coal and iron industries and SCI Ltd's workers were inevitably exposed to such hazards. At the 1870 AGM, Markham rehearsed the following chilling statistic to shareholders about to approve payment, to themselves, of an annual dividend of 15.67 per cent (Table 3): 'on an average one life is lost for every 100,000 tons of Coal raised' (DRO, 28 August 1870, D3808/1/4/1, p. 95).

Serious attempts appear to have been made to help protect the workforce which were broadcast in the published accounts. DR 1866 announced that the directors had made provision for the health and safety of workmen 'regardless of expense' so that the [safety] record at the Collieries 'compare[d] most favourably with the best conducted Works in the Kingdom'. Two years later, the directors reported that 'No expense has been spared to render the Collieries and Mines as perfect and as free from damage as the nature of such operations permit'. In 1869 the directors reported that improved fan ventilation at the Hollingwood Collieries had doubled the quantity of air circulating in the works and 'will very materially add to the safety of the workpeople'. Also, that a powerful pumping engine has been erected at the Seymour Pit to prevent 'the immense reservoir of water in the old workings' forcing its way into the pit thereby 'involving loss of life and destruction of property' (DR 1869; see also DR 1871, 1876, 1877 etc.). In

[11] The published accounts of SCI Ltd, for the period 1864-1950, are filed at the DRO under reference no. D3808/1/6/1.

1878, the directors drew attention to expenditure designed to increase the safety of the men and prevent as far as possible 'those deplorable accidents which appear to be inseparable from mining operations'.

Table 3. Share capital and dividends 1864-1900

Year	Shares nominal value	Dividends	Dividend rate	excluding bonus
	£	£	%	%
1864	242,500	30,000	12.37	
1865	416,000	69,720	16.76	
1866	416,000	71,683	17.23	
1867	416,000	65,167	15.67	
1868	416,000	65,167	15.67	
1869	416,000	71,683	17.23	
1870	416,000	65,167	15.67	
1871	416,000	65,167	15.67	
1872	416,000	78,200	18.80	
1873	782,000	156,400	20.00	40.00
1874	782,000	195,500	25.00	50.00
1875	782,000	130,333	16.67	33.33
1876	782,000	78,200	10.00	20.00
1877	782,000	65,167	8.33	16.67
1878	782,000	52,133	6.67	13.33
1879	782,000	32,583	4.17	8.33
1880	782,000	52,133	6.67	13.33
1881	782,000	52,133	6.67	13.33
1882	782,000	52,133	6.67	13.33
1883	782,000	52,133	6.67	13.33
1884	782,000	39,100	5.00	10.00
1885	782,000	32,583	4.17	8.33
1886	782,000	39,100	5.00	10.00
1887	782,000	32,583	4.17	8.33
1888	782,000	39,100	5.00	10.00
1889	782,000	58,650	7.50	15.00
1890	782,000	117,300	15.00	30.00
1891	782,000	143,367	18.33	36.67
1892	782,000	117,300	15.00	30.00
1893	782,000	65,167	8.33	16.67
1894	782,000	39,100	5.00	10.00
1895	782,000	55,392	7.08	14.17
1896	782,000	48,875	6.25	12.50
1897	782,000	55,392	7.08	14.17
1898	782,000	55,392	7.08	14.17
1899	782,000	117,300	15.00	30.00
1900	782,000	260,667	33.33	66.67

Note: In most years, dividends approximated profits for the year.
Source: Published accounts, D3808/1/6/1

Injuries and fatalities nevertheless occurred and management pursued two initiative designed to ameliorate the hardship suffered by workers and their families: financial support for the local hospital and the creation of a Sick and Accident Fund.

Financial support for the Chesterfield Hospital, which 'had been on the point of bankruptcy', was the subject of discussion at the 1869 AGM. Markham proposed 'a special grant of £500': an initiative perhaps encouraged by public opinion which thought that 'a Company like Staveley ought to do something' (DRO, 6 September 1869, D3808/1/4/1, p. 72). Also, because the company currently subscribed £25 per annum towards running expenses whereas treatment of its employees cost the institution about £150 each year. Markham's proposal was approved by shareholders attending the AGM and DR 1870 reported the grant of a £500 bond, repayable in 40 years and meanwhile attracting interest at 6 per cent or £30 per annum, to 'ensure a fixed revenue to that valuable Institution [the Chesterfield Hospital] during the existence of the present Staveley Leases'. In addition, the company continued to subscribe £25, annually, making £55 in all (Munificent gift to the Chesterfield and North Derbyshire Hospital 1869).

Turning to compensation paid to workers and their families on the occasion of death or injury in the workplace, the directors announced their intention to transfer £2,000 to an Accident Fund through four equal annual instalments of £500 (DR 1867). Markham addressed the 1867 AGM as follows: 'There had frequently been men killed or maimed, and to their families the proposed arrangement would be very beneficial'. He was also able to reassure investors that 'the cost was very small when compared with the vast benefits that would be derived by the people' (DRO, 30 August 1867, D3808/1/4/1, p. 41). But consistent with Victorian principles of self-reliance, the workforce was also expected to help itself with subsequent donations by SCI Ltd limited to 25 per cent of the amounts contributed by the workmen (DR 1867). This initiative led, soon afterwards, to the creation of the Staveley Workmen's Sick and Accident Fund managed by a joint committee of officers of the company and eleven working men elected by their peers (Chesterfield and North Derbyshire Hospital 1869). Employees subscribed 4d. per week to the sick fund and 2d. per week to the accident fund (Mr. Charles Markham on trades' unions 1877).

Not everyone was convinced that these arrangements were often designed to protect employees from financial hardship. A letter printed in the *Derbyshire Courier* (Sick and accident funds 1879, p. 5) pointed out that, in the case of injury, the rent paid by the occupier of a colliery was deducted from benefits provided by the Sick and Accident Fund: it seemed to the men, therefore, that 'Sixpence per week [was] stopped out of the workmen's wages to enable the company to secure their rents during sickness or accident'. Reviewing the widespread use of this practice, Benson (1973, p. 265) concludes: 'it had long been felt that compulsory relief funds were simply a device to shift the burden of compensation onto the miners themselves'.

Education

The directors also pursued welfare policies designed to improve the education of workers' children. Thomas Vickers, director, put the following resolution to SCI Ltd's second AGM (DRO, 28 August 1865, D3808/1/4/1, p. 21): 'That the Directors be and are hereby authorized to subscribe sums not exceeding one thousand pounds during the coming year for Day and Sunday Schools and other charitable purposes'.

Supporting the motion, Markham argued that 'it was essential some steps should be taken for the religious and moral education of the Workpeople and their families' (p. 21). He continued:

> it would be a sad calamity if the incorporation of the Staveley Company should prevent the shareholders from being as liberal as when the management was solely under the late Mr Rich[d] Barrow who always contributed liberally to such objects.

The published accounts for 1866 confirm that £1,000 had been set aside 'to contribute to the educational improvement and well-being of the children of the workpeople' (DR 1866). Seven years later, Vickers requested shareholders' approval for a further £1,000 to 'be placed at the disposal of the Directors for Hospital, Schools and other charitable purposes' (DRO, 6 September 1873, D3808/1/4/1, p. 147). The directors' minutes are also littered with requests, often from clergymen, for charitable donations to which the board, in the main, acquiesced (e.g. DRO, 30 November 1868, D3808/1/2/2, p. 240; DRO, 27 October 1891, D3808/1/2/6, p. 199).

Again, there is evidence to suggest that such donations were principally designed to serve the shareholders' best interests rather than those of the workers and their families. For example, Vickers informed the 1873 AGM that the Chaplain at Newstead village had pleaded with the company to provide financial support for building churches and schools. Vickers' observed that 'something would be done, though they [the directors] did not say much about building churches, as they were more concerned about building houses and getting the men to work' (DRO, 6 September 1873, D3808/1/4/1, p. 148). This latter policy is next discussed.

Workers' cottages

The construction of worker cottages, begun in earnest with the construction of 'Barrow Hill' between 1852 and 1855, continued following the creation of SCI Ltd. As noted above, the directors' report of 1867 broadcast the board's commitment to the wellbeing of the workforce by providing colliers 'with convenient cottages, gardens, &c.'. The provision of accommodation benefited both parties, of course, with the directors reporting that they had 'been compelled to sanction the building of additional cottages' because 'considerable difficulty had been experienced in obtaining workmen' (DR 1871). Adequate housing as a prerequisite for business efficiency remained a priority throughout the period covered by this paper. In 1889, Markham's successor as general manager, George Bond, complained of 'the difficulty of procuring men to work the Markham Collieries on account of the want of house accommodation'. The board therefore decided to erect additional cottages (DRO, 23 July 1889, D3808/1/2/6, pp. 50-52) and, two years later, Pochin informed the AGM of significant further expenditure:

> We have spent considerably more than the addition of £5000 on the erection of cottages [reported in the balance sheet] which it was absolutely necessary we should have to properly work our Collieries, as unless we provided houses for the men, we had difficulty in keeping them long at our pits (DRO, 9 September 1892, D3808/1/4/3, p. 14).

But occupation of company cottages carried with it the obligation to remain steadfastly loyal and obedient. During the strike of 1866, management ejected 37 men and their families from company cottages to make room for the replacement workforce. Further, cottages were not free goods with the shareholders reassured, in 1892, that they were 'easily let' and enabled the men 'to work the Collieries in a very satisfactory manner' (p. 14).

5. Peering behind the façade

While it is fair to say that the previous section contains some mixed messages concerning the motivation for apparently philanthropic initiatives, the overall thrust of the material released into the public domain projected the image of SCI Ltd as a caring employer. This section draws on the content of the company's internal accounting records, particularly views expressed in the directors' minutes, to better understand management's true motives. To set the scene, some figures can be used to signal the relative extent to which capital and labour benefitted, financially, from value added through SCI Ltd's business activities. The findings resonate with the calculations made by Henry Hyde Champion and Annie Besant for Bryant & May and Brunner, Mond.

Returns to the Board of Trade from colliery owners indicate that the average annual wage of miners in Britain in 1886 was about £52, with the figure for Derbyshire rather lower at £45 (Return of rates of wages in the mines and quarries 1890-1891, p. ix, p. xxvii). Comparative measures of wages through time supplied by Bowley (1900, p. 132) suggest that these figures may have been below the average wages paid in the period covered by this study, particularly when the coal trade was flourishing in the early 1870s and 1890s. Bowley's (1900, p. 132) statistics further suggest that ironworkers were paid, on average, 23 per cent more than miners so, as ball park figures, we might imagine that the company's colliers were paid £50 per annum, on average, and its ironworkers £60. These numbers are in sharp contrast to the lavish returns earned for SCI Ltd's shareholders.

Table 3 reveals that shareholders received dividends amounting to 94.93 per cent of their initial investment by the end of the accounting year 1868/69 (i.e. during the first six years of business activity) and that dividends exceeded 100 per cent of capital invested on receipt of the interim dividend for 1869/70 on 4 February 1870. Further, by this latter date the company's ordinary shares had risen in value from £60 to £92 (Sheffield share list 1870, p. 2), contributing to an overall return of 153 per cent.[12] Therefore, an initial investor, such as George Newton, who subscribed for the minimum number of five shares, earned £460, over six and a half years, on an investment of £300; well above a workers' wages over that entire time period.

It was during these early years of the company's existence that, as revealed in section 3.1, a bitter dispute arose between SCI Ltd's management and workforce. Within the public domain, Markham attributed the pricing of labour to the unproblematic operation of the law of supply and demand. The internal records contain evidence which is arguably consistent with this idea, but also demonstrates management's determination to retain complete control over the conduct of its affairs through the exercise of 'differential power' (Toms 2020, p. 428). In a Marxian sense, events at SCI Ltd are consistent with the idea that 'the economy is not conceived as a neutral platform of exchange and cooperation, but as historical and political constitution

[12] The enormity of these returns can be further appreciated when compared with the three per cent payable on government consolidated stock, at that time, which equates to an overall return of 19.5 per cent over the same time period.

primarily characterized by asymmetric power relations, ideology and social conflicts' (Dimmelmeier *et al*. 2016). It is not possible, in the space available, to give full details of the management/labour conflicts involving SCI Ltd over the period 1863-1900, but some episodes are rehearsed below drawing mainly on the confidential record of proceedings at directors' meetings.

On 19 February 1866, Markham informed board members that the coal trade 'was highly satisfactory' but also warned that, because of the 'unsettled state of the Colliers respecting their rate of Wages he feared that an advance would eventually *have to be made*' (DRO, D3808/1/2/1, p. 330, emphasis added). Further, in a year when shareholders were paid a dividend of 17.23 per cent (Table 3), 'every effort had been made to stave off the matter but he did not think it could be evaded much longer' (p. 330). Markham's next monthly report to the board focused on a meeting with a deputation of colliery workers. At that encounter, Markham 'protested against the formation of a Union of the men against the masters', succeeded in 'avoiding' the wages question which he knew the men wished to discuss, and had 'every reason to hope that the interview had tended greatly to allay the disturbed feeling that had existed for some months past' (DRO, 19 March 1866, D3808/1/2/1, p. 342). The tactic did not work and Markham's reflections on the state of the workforce, in a report to the board dated 20 August (DRO, D3808/1/87/1, p. 2, emphasis added) contained the following telling comments:

> The unsettled state of the Colliers renders it extremely probable that an advance must be made to them ere long. I informed the Board last winter that I expected we should be compelled to advance the wages, but up to this period we have postponed doing so. It must be borne in mind that during the time the Company have had possession of the Property *no advance has been made in the Wages of the Colliers although there has been a considerable advance established in the price of House & Gas Coal*.

Markham further advised that 'an advance of wages *must sooner or later be conceded*' but only, it seems, because 'it would be a most *disastrous* event if a strike was to take place at these Works as the effect it would create upon our trade, by destroying confidence would be fearful to contemplate' (p. 2, emphasis added).

The board failed to act resulting in a long drawn out strike at the end of which the 'union was crushed' (Williams 1959, p. 114). Having won that battle (see section 3.1), SCI Ltd did not demur from trumpeting its success in the directors' report on the accounts published in 1867. At the AGM, Thomas Vickers (director) proposed a vote of thanks to Markham for making, and acting upon, the decision to 'drive every Union man from the property, and have it worked by non-unionists' (DRO, 30 August 1867, D3808/1/4/1, p. 44). Vickers continued: 'It was a desperate disease requiring a desperate remedy. Mr. Markham got rid of those men most obnoxious to him, and broke down the Union' (p. 45). C.P. Steward, shareholder, weighed in with the following panegyric (pp. 45-46):

> All employers of labour would know what a serious matter a strike was, and he felt personally indebted to Mr. Markham for the manner in which he had grasped the subject ... never knowing when he might be personally assaulted by a number of fierce and lawless men. The shareholders could scarcely appreciate the tremendous danger which had threatened the property. If the Union (which had greatly injured

> the Yorkshire collieries) had got possession of the Derbyshire pits, it would virtually have taken the property out of the hands of the proprietors. Those who had to deal closely with the Working Classes, knew how difficult it was to have a contest with them, but Mr Markham met them in the manly way, which characterised all he did.

Markham has been described as 'one of the more enlightened employers' of the Victorian era, and this might have been so at a time when industrial capitalists relied heavily on coercion to achieve business and economic objectives (Williams 1959, p. 105; Church 1986, p. 282). There are certainly signs that some of Markham's colleagues were even less sensitive to workers' wellbeing than was he. Despite having 'circulated a rumour amongst the Colliers that a [wage] reduction had to be made', in February 1868, Markham recommended no immediate action. His reasoning was as follows: 'as the Colliers had not had an advance of wages since he had been connected with the Company, he was clearly of opinion that it was not the policy of the Company to be the first to make a reduction', particularly as the colliers knew they were currently working on contracts entered into 'at good prices' (DRO, 17 February 1868, D3808/1/2/2, p. 157). The board nevertheless decided that the current decline in 'the condition of Trade is such to call for a reduction in the rate of Wages', and instructed Markham to act accordingly (p. 158).

A month later Markham advised the board that it would be 'injurious to the interests of the Company' to take the initiative in imposing a reduction of 10 per cent given the failure of other local coal masters to act (DRO, 16 March 1868, D3808/1/2/2, p. 165). On 13 June the colliers were nevertheless advised of a reduction in wages of 'one Penny in the Shilling' (8⅓ per cent) to take effect the following month (DRO, 27 July 1868, D3808/1/2/2, p. 192). The policy of raising wages only when compelled to do so by market conditions is crystal clear from discussions which took place at the end of the following year when Markham informed the board that 'many of the best Colliers were leaving' causing 'great difficulty in obtaining sufficient labour' (DRO, 20 December 1869, D3808/1/2/2, p. 331). It was therefore decided to 'advance the men the same amount as was taken from them' in July 1868 (p. 331).

The wages question again took centre-stage in board deliberations towards the end of 1871. Despite a degree of opposition from Pochin, Markham gained board approval for an increase in colliers' wages of 5 per cent from 1 January 1872 given that they were currently no higher than when the company was formed in 1863 (DRO, 27 November 1871, D3808/1/2/3, p. 45). The workers rejected these proposals and Markham warned the board that the 'present was an unfortunate time for the discussion of the subject on many grounds, as it was holiday time and the men were excited with drink' (DRO, 28 December 1871, D3808/1/2/3, p. 58). In the event, Markham and the 'overmen'[13] succeeded in persuading the men to accept an advance in 'Colliers' Wages on contract [of] twopence per ton of 28 cwt and the day men about 5 per cent, and that the nine hours system had been adopted' (DRO, 29 January 1872, D3808/1/2/3, p. 61). A period of heightening prosperity for SCI Ltd (see Table 3) saw further wage increases in the summer of 1872 (DRO, 28 June 1872, D3808/1/2/3, p. 103) and the early spring of 1873 (DRO, 24 February 1873, D3808/1/2/3, p. 173; DRO, 24 March 1873, D3808/1/2/3, p. 179). But it was not profitability that encouraged management to

[13] There was an overman for each pit who had responsibility for carrying out daily safety inspections and recording the work performed to operate the piece work system.

reward the men. Rather, it was the fact that 'a great number of men had left Staveley during the last eighteen months' to work in Yorkshire where wages were higher (DRO, 24 March 1873, D3808/1/2/3, p. 180).

With profits falling in 1876 (see Table 3), management's plan for a 15 per cent reduction in wages caused many of Staveley's colliery workers to take strike action. A meeting organised by the South Yorkshire Miners' Association, attended by 500 Staveley men, was addressed by one of their number, a Mr Hopkins. He claimed to have 'done all that lay in his power to prevent a strike in this instance; but it seemed utterly useless to attempt to prevent it any longer' (Meeting of the men at Staveley, 1876). He professed to be sympathetic to the idea of a 'fair reduction' in wages, given lower coal prices and company profits, but not the 15 per cent which management insisted upon. There is evidence to suggest that Hopkins was genuine in his desire to avoid a strike, proposing that management should 'throw open their books and submit to arbitration'. Apparently, the Miners Association had already offered to accept a reduction of 7½ per cent and when this was rejected went to 10 per cent. However, Markham 'would listen to nothing advanced by the men', hence the strike. Whilst it is true that profits had diminished, the company was still able to pay a dividend of 10 per cent which, more realistically, represented a return of 20 per cent given the one for one bonus issue of shares made just three years earlier (see section 6.2 entitled Manipulating reported profits and dividends). In the event, the miners went back to work in June after acquiescing to a wage reduction of 12½ per cent.

When the workforce again threatened strike action, in 1883, Markham was once more in no mood to compromise. This episode occurred half way through an 11-year period when profits averaged less than £42,000 per annum compared with nearly £129,000 per annum in the six years before and the five years following that time-span. In his November 1883 address to a disgruntled workforce, Markham makes it crystal clear that, 'Under existing circumstances I have considered it my imperative duty to clearly and distinctly inform you that the Staveley Company will not at the present time entertain the question of an advance of wages'. But different situations can produce a different response from management. In 1889, an upturn in economic conditions gave rise to optimism that it might mark the end of 'the great depression in the coal and iron trade' (DR 1889). Improved prosperity at SCI Ltd encouraged its workers to resurrect 'the wages question' and, in so doing, drew on financial information available in the public domain. According to Benjamin Pickard, leader of the Yorkshire Miners' Association: 'When they [miners leaders] read such reports as those of the Staveley Coal and Iron Company[14] and of Messrs. Cammell and Company they were encouraged' to seek wage increases (Miners' leaders and their critics 1889). On this occasion, the directors settled the dispute 'without any strikes, which are so disastrous to both masters and men' (DR 1889).

The familiar rhythm of industrial relations – which saw management accede to wage increases only when threatened with a loss of workers and profits, and to reverse the

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[14] Dividends had gone up from £39,100 in 1888 to £58,650 in 1889, or from 5 per cent to 7.5 per cent on issued share capital.

process as soon as conditions allowed – continued through to the end of the century. And management saw no shame in pursuing this mercenary strategy.

Board minutes for the summer of 1893 refer to 'the impending strike of colliers' in many parts of the country, and acknowledge the need to take steps to ensure an adequate supply of coal to the furnaces (DRO, 25 July 1893, D3808/1/2/6, p. 304). There had been a significant drop in the price of coal and, in the endeavour to maintain profits, colliery owners attempted to reduce miners' wages by 25 per cent. This was rejected by the Miners Federation who called for a 'living wage'. The result was variously described as a strike or a lock-out that continued into the autumn when SCI Ltd's board authorised the general manager, George Bond, 'to open the pits to allow the men [willing] to work at a reduction of 15% & also to apply for police and military assistance should he deem it necessary' (DRO, 24 October 1893, D3808/1/2/6, p. 317). Pochin addressed the AGM, held in the following month, as follows:

> When times were good it was only reasonable that we advanced their wages, giving them 1s 5d (or an increase of 40%) for every shilling they had been earning … . I consider, therefore, now that we are in times of depression, we are justified in asking them for a return of part of that 40% (DRO, 2 November 1893, D3808/1/4/3, p. 22).

Pochin insisted that 'If the workmen will not accept reasonable wages and allow Capital to get a fair return, then a diminished business must result' and further explained management's philosophy as follows:

> we regret the difficulties which have arisen with our workmen, but we cannot work our pits at a loss, and I fear, if the matter is not settled in a manner satisfactory to the Coal owners as well as the men, we shall have to keep our pits closed for a longer period.
>
> If the men are prepared to lose 14 weeks' wages in order to fight this battle, I should feel ashamed if the Coal owners were not also prepared to make as great a sacrifice (p. 25).

Close to the end date of this paper, there are signs that management recognised the need for a more conciliatory stance given the better organisation and growing power of the workforce. Markham's son, Charles Paxton Markham, who succeeded Pochin as chairman in 1894, addressed the 1898 AGM as follows:

> The wage question is at the present time occupying our attention, and it is almost a certainty that we shall have to make an advance in the wages paid to miners as we cannot afford to shut down our pits as we did some years ago [presumably a reference to the 1893 dispute] which cost us probably upwards of £40,000 in one way or another (DRO, 13 September 1898, D3808/1/4/3, pp. 67-68).

6. Concealment and misinformation

This study reveals a degree of concern, on the part of SCI's leadership, for the wellbeing of the workforce, but it was always the company's policy to get the work done as cheaply as possible so as to maximise returns for investors. For this reason, management sought to conceal the company's true financial performance and position from the workers – first by attempting to deny them access to the published accounts and, because that ploy appears not to have succeeded, to report profits and rates of dividend that were each lower than was actually the case.

6.1. Restrictive disclosure practices

For the period up to 1900, and even well beyond that date, the accounting history literature attributes management's opposition to disclosure to a desire to deny competitors access to sensitive financial information. At the very end of the nineteenth century, however, it is possible to discern shreds of evidence consistent with the idea that the capital/labour divide also helps to explain a non-disclosure policy. Francis Beaufort Palmer, barrister and author of an authoritative work on company law, informed the Halsbury Committee (1898, minute 681):

> I repeatedly have before me companies whose great difficulty is the excessive profits they are making, and the great danger there would be if people got to know this, the labour danger and the danger of competition … Again and again I have had companies that have been obliged to reconstruct, in order to capitalise the great mass of profits latent in the business in order to meet the labour difficulties, and otherwise.

The hazards of publicity were also addressed in evidence presented by another prominent company lawyer, Henry Burton Buckley, who acknowledged the need to shield sensitive financial information from competitors, and continued:

> The other ground upon which I think it [greater disclosure] may especially be difficult is, the increasing difficulties between labour and capital. One knows nowadays that the capitalist is often in very great difficulty in arranging the terms of labour, and the disclosure (because ultimately it would or might become public) of the accounts of the concern would, I think, aggravate those difficulties (Halsbury Committee 1898, minute 1661).

We have also seen that the possibility of published accounts fomenting class conflict was recognised in *Newton v. Birmingham Small Arms Co. Ltd* 1906 and resurfaced as a sensitive issue as concerns with corporate profiteering gained pace during World War I (Arnold 1997). The remainder of this section reveals that such anxieties were uppermost in the minds of Staveley's directors when determining the content and public availability of its annual accounts.

The following instruction was prominently printed at the top of the second page of SCI Ltd's inaugural set of published accounts, i.e. those made up to 30 June 1864: 'It is particularly requested that this Balance Sheet be considered private and confidential'. This entreaty was repeated in each of the 36 years up to the end date of this paper.

The company's publication policy was the subject of detailed discussion at a directors' meeting held on 27 August 1866. There, it became clear that the directors' principal concern was that the content of the annual accounts might be exploited by the workforce for wage-bargaining purposes. It was noted that the company's balance sheet had been published in a Sheffield newspaper and 'difficulties had already arisen with the workmen from the profits of the company being thus made public' (DRO, D3808/1/2/1, 27 August 1866, p. 400). Given that the AGM was not held until 31 August, it is likely that the accounts were leaked to the newspaper by one of the shareholders. This type of practice was the subject of an exchange between the chairman of the Halsbury Committee and Buckley (1898, minutes 1666-1667):

> Lord Chancellor Halsbury. 'You may just as well make it [the balance sheet] public altogether as send it to the shareholders'.

> Buckley: 'Yes'.

SCI Ltd's board of directors therefore decided to consult the company's shareholders over whether to remove, from the articles of association, the obligation to circulate the accounts prior to the AGM. Richard Barrow, as chairman, drew the AGM's attention to 'the disadvantage of exposing to the public the exact position of the company', and continued:

> The publication of the accounts raised difficulties with the workmen, and was likely to damage to some extent the property of the Company. ...The Balance Sheet had been published in a Newspaper near the works, and it had already had an injurious effect on the men; the Directors had therefore come to the determination that if it met with the approval of the Shareholders they would not publish a Balance Sheet in the future (DRO, 31 August 1866, D3808/1/4/1, p. 28).

Another director, Benjamin Whitworth, reassured the shareholders that there was no intention 'to keep them in the dark': the balance sheet would 'be read out at the Annual Meeting' and shareholders 'might also examine the books whenever they thought proper' (DRO, 31 August 1866, D3808/1/4/1, p. 29). The matter continued to be the subject of discussion (DRO, 23 April 1867, D3808/1/2/1, p. 59; DRO, 20 May 1867, D3808/1/2/1, p. 72) with Markham's enthusiasm for change quite likely motivated by the fact that he was principally responsible for negotiations with the workforce. A directors' meeting held on 24 June 1867, however, highlighted a 'difference of opinion' among the directors 'as to the advisability of carrying out the proposed alteration at the present time' (DRO, D3808/1/2/1, p. 86). No further reference to the issue has been found in the company's archive. Probably the directors decided that it was impractical to pursue a course of action inconsistent with the practice of other large companies.

The directors nevertheless continued to stress the importance of keeping financial information confidential. Addressing the 1869 AGM, Markham complained that the risk of information getting into the wrong hands had also increased due to the company's decision to issue £10 shares in addition to its £60 shares. In his opinion, £10 shares were 'purchased by small people in the district and by that means the Balance Sheet got handed about among the men' (DRO, 6 September 1869, D3808/1/4/1, p. 71). He expanded on the problems this posed for management of the workforce:

> The company had a good many difficulties to contend with now. The South Yorkshire miners worked 8 hours a day and the Staveley men 10 hours. An attempt would no doubt be made to introduce the 8 hour system at Staveley instead of their present one, which he thought was a reasonable days work, viz. 10 hours (pp. 71-72).

Markham therefore continued his unsuccessful campaign to prevent newspapers publishing material taken from the annual accounts. The directors' report for 1874 was published in both the *Sheffield & Rotherham Independent* (Staveley Coal and Iron Company, Limited 1874) and the *Leeds Mercury* causing Markham to write to their 'Editors strongly objecting to the insertion of private reports' (DRO, 25 August 1874, D3808/1/2/3, p. 321). Markham returned to this theme at the 1875 AGM:

> I may say it is highly detrimental to the interests of the Shareholders for these reports to appear in the press. The swagger that appears in the papers gives false ideas to the workmen, & it is the way to ruin the Company, & I do hope every

Shareholder will endeavour as far as possible to prevent these reports from becoming public property (DRO, 31 August 1875, D3808/1/4/2, p. 10).

His appeal fell on deaf ears and, two years later, Markham informed the AGM that 'Our Report and Balance Sheet was posted to the Shareholders one afternoon about four o'clock and the next morning I observed a copy of the report in one of the Sheffield papers' (20 September 1877, D3808, 1/4/2, p. 31). He continued: 'the publication of our reports and balance sheets amongst the workmen is a source of great evil & I do hope that the shareholders will use their influence as much as possible to supress their publication in the future'.

6.2. Manipulating reported profits and dividends

With determined efforts to curtail access to the published accounts repeatedly failing, a separate ploy designed to keep workers 'in the dark' surfaced at the 1874 AGM. From 1864 to 1869 deductions for depreciation were reported on the face of the balance sheet. Starting in 1870 the amount of depreciation written off remained undisclosed and, from 1871, the directors embarked upon the practice of writing off capital expenditure against revenue (Edwards 2019a).[15] Perhaps because the capital expenditure write-off had become large, the chairman reported the amount involved (£73,928, Table 4) to those attending the 1874 AGM, and described it as 'only another way of forming a Reserve Fund' (DRO, 25 August 1874, D3808/1/4/1, p. 156). Pochin then proceeded to explain why the write-off was not reported in the accounts:

> We take all the care we can to keep this Balance Sheet private, and we print upon it in legible type a request to the Shareholders to keep it private and confidential. If we are doing badly it is not desirable to proclaim it to all the world, if we are doing well there is even less reason to do so.

Pochin further informed shareholders that the publication of information contained in the company's accounts, in 'several' local newspapers, was once again giving Markham

> many difficulties with the workmen, and we are obliged to act with considerable circumspection to work so as to earn for you large dividends without drawing upon us the attention of those who would take advantage of any information they might procure.

The following year, Pochin again voiced deep management concern with the negative effect of accounting transparency on industrial relations and the returns earned for investors:

> we could very well have made our profits appear larger than they appear on this Balance Sheet. We are however surrounded with difficulties …
>
> There never was a time when working men & men connected with workmen so closely examined the work of their masters as they do at the present day. They have appointed a number of paid officials, they ascertain as best they can the amount of profit made, & they use that argument as you very well know to secure an advance in the rate of wages. The publication of our accounts, and the making known year by

[15] For a review of some of the substantial literature on the biased treatment of capital expenditure to shape the level of reported profit, either through immediate write-off or by manipulating the amount of the depreciation charge, see Edwards (2019b, ch. 14).

> year the exact condition of affairs is a matter that tells very much to the injury of the Company. It is therefore necessary I should urge upon you that whatever is said here should be kept private (DRO, 31 August 1875, D3808/1/4/2, pp. 6-7; see also DRO, 20 September 1877, D3808/1/4/2, p. 33).

Table 4. Undisclosed deductions in computing reported profit 1870-1900

Year	Capital expenditure	Depreciation	Year	Capital expenditure	Depreciation
	£	£		£	£
1870		7,951	1886	25,998	10,000
1871	1,845	8,601	1887	2,610	10,000
1872	1,833	9,184	1888	9,666	11,000
1873	36,810	9,805	1889	12,596	12,500
1874	73,928	13,000	1890	33,477	15,000
1875	30,236	13,780	1891	10,395	15,000
1876	20,172	14,978	1892	6,131	25,000
1877		16,308	1893	21,643	25,000
1878		10,000	1894	11,104	10,000
1879		10,000	1895	10,341	20,000
1880		10,000	1896	4,864	20,000
1881		10,000	1897	58,565	12,000
1882		10,000	1898	14,261	17,000
1883		10,000	1899	42,054	10,000
1884		10,000	1900	33,868	20,000
1885	7,000	10,000			

Sources: DRO, D3808, various.

So the new strategy was to publish accounts which understated true profitability: 'We therefore think it better to tell you in a more confidential way *exactly* what is the position of the Company' (DRO, 25 August 1874, D3808/1/4/1, p. 156, emphasis added). Whether the company's colliers and ironworkers were fooled by such machinations is unknown, but it was a ploy unconfined to SCI Ltd. Arnold (1997, p. 163) agrees that the manipulation of published financial reports, in the period leading up to World War 1, was fuelled, at least in part, by 'hostility between the major, class-based economic interests'. Focusing on the affairs of the armaments manufacturer Sir W.G. Armstrong, Whitworth & Co. Ltd for the period 1897–1914, the transport historian R.J. Irving (1990, p. 276) observed that 'The profits of the great arms firms were being "jealously watched" . . . and even more important, there was an "ever increasing anxiety attending the relations of capital and labour"'.

There is concrete evidence to prove that SCI Ltd's directors also sought to conceal the true rate of dividend, and they achieved this by making a bonus issue of shares to existing investors. The balance sheet for 30 June 1873 refers to a resolution dated 28 April 1873 which resulted in an upward revaluation of fixed assets by £391,000 and the doubling of ordinary share capital from £391,000 to £782,000, i.e. shareholders were issued with one additional share for each share previously held. Why did this happen? The directors were, by 28 April, aware of the fact that profits had increased enormously during the year to 30 June 1873. The reported profit turned out to be £257,381 compared with £93,398 a year earlier (DRE, D3808/1/6/1), and this despite the fact that the undisclosed capital expenditure write-off had increased from £1,833 to £36,810 (Table 4). The final dividend declared for the year to 30 June 1873 was £9 per share (15 per cent of nominal value) compared with £8 (13.3 per cent) a year earlier. Absent the bonus issue, the final dividend for 1873 would have represented a staggering 30 per cent return on paid up capital (Table 3).[16] The following remarkable admission of a determination to hoodwink the labour force is contained in Markham's address to the Extraordinary General Meeting called to approve the bonus issue:

> There was another and very important reason which had considerably influenced the Directors in submitting the Resolutions to the Shareholders, and that was that the published Balance Sheets got circulated widely, and it became known to others besides the Shareholders what the dividends the Company were paying, & the workmen had made use of this knowledge as a handle to secure their demands and Mr Markham had been met on this point when negotiating hours & wages with the workmen of the Company, so that it was desirable to pay a less percentage on a greater amount of Capital (DRO, 28 April 1873, D3808/1/4/1, p. 126).

Markham then moved on to reiterate the crux of his case for attempting to deceive the work force:

> it was desirable to increase the number of Shares, so that the Company would not appear to be paying so large a percentage, as he found that the difficulties with the workmen were considerably enhanced by their knowledge of the large percentage the Company had in the past been paying upon their Capital, and that in making unfair demands they were actuated more by the prosperous condition of the Company than by the actual value of their labour (pp. 126-127).

It was in the following year that the bonus issue had greatest impact on watering the dividend rate (Table 3). Pochin informed the AGM some years later: 'In 1874 we should have paid Fifty per cent Dividend on the original Capital, but diluted it amounted to 25 per cent' (DRO, 14 September 1883, D3808/1/4/2, p. 89).

7. Discussion and concluding remarks

This study covers an important period in the development of mass-organized labour. As late as 1825 there remained an outright ban on trade unions (the anti-combinations statutes) and, even in the 1860s, judicial interpretation of existing statute law led to the imprisonment of union officials who led strikes or issued ultimatums challenging employer use of non-unionised labour. The Trade Union Act 1871, placed on the statute books by William Gladstone's Liberal government, therefore represented an important milestone in industrial relations by providing protection for trade union funds and by stipulating that a trade union could not be regarded as criminal on the grounds of acting 'in restraint of trade'.

The early history of SCI Ltd therefore coincides with a period when trade unions were in a process of transformation, in terms of their legal status, but, for many leading industrialists, they remained unwelcome participants in the conduct of business's financial affairs. We have seen that Charles Markham was a staunch opponent of trade unionism and willing to employ whatever tactics were necessary to retain capital's

[16] Interim dividend omitted from comparison because bonus issue made after the interim dividend for 1872-1873 had been declared.

domination of labour. The eulogy penned by social reformer, Violet Rosa Markham, included the following candid assessment of her father's convictions:

> my father was a typical Victorian employer in an age which never questioned the morality of large profits and low wages … He was a staunch Liberal, but Liberalism stood to him as to the rest of his generation for political not economic freedom (quoted in Chapman 1981, p. 73).

A member of the old school, Markham strove to convince workers that serious endeavour was the route to job security and success in the workplace, rather than obeying trade union 'demagogues' (Chapman 1981, p. 74). Consistent with the ideas of Adam Smith, Markham argued that workers and employers each pursued self-interest with wage levels determined, in the marketplace, through the law of supply and demand. Markham therefore believed that combinations of either employers or workers were pointless because, in the long run, the forces of supply and demand would prevail. Therefore, if, for example, a trade union succeeded in forcing wages above their 'natural' level, this would cause companies to become uncompetitive and business to move elsewhere. These might appear to be logical propositions, but the moral question was whether such arrangements were likely to result in an equitable distribution of value added between capital and labour. This case study suggests that they did not.

Social activists Henry Hyde Champion and Annie Besant used the published accounts of Harvey & Bryant and Brunner, Mond to highlight exceptional discrepancies in the division of value added between the directors, management and workers in late-Victorian England. In a similar vein, we have seen that dividends paid by SCI Ltd enabled the shareholders to get their money back, in the form of dividends, within seven years of incorporation and, by 1900, they had pocketed nearly seven times the amount subscribed in 1863.[17] Also, by 1900, the share price was double that of 1872.[18] There is little evidence to suggest that the owners had any enthusiasm for sharing the spoils with the workforce. For example, we know that Markham warned the board, in 1866, of the 'unsettled state of the Colliers' and that 'an advance of wages must sooner or later be conceded as it would be a most disastrous event if a strike was to take place'. Profits were good and, consistent with the law of supply and demand, one might have expected an increase to be conceded. But management could not convince itself of the need to act quickly enough to avoid what turned out to be a 'disastrous' strike.

There were two broad strategies for managing the workforce in nineteenth-century Britain. One approach, inherited from aristocratic owners of landed estates, was for the employer to behave in a paternalistic manner. The second strategy, often associated with early industrial capitalists, was to rely on coercion to achieve subjugation of the workforce. But it also became evident, during the nineteenth century, that some industrialists realised that it was to their advantage to improve the working and living conditions of employees. Famous examples of such initiatives occurred at New Lanark in Scotland and Saltaire in Bradford where Robert Own, in the early nineteenth century,

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[17] This calculation relates to initial investors who retained their shares in 1900.

[18] 1872 is the first year for which market prices are available that are directly comparable with shares in issue in 1900

and Titus Salt, in the 1850s, made serious efforts, for example through the construction of model villages, to improve the lives of their textile factory workers.

There is evidence, from around the time SIC Ltd was formed, that some coal owners were also inclined towards the paternalistic approach though this was certainly motivated partly, and perhaps principally, by self-interest. George Elliot, who went down the mines at the tender age of nine but, by the mid-1860s had become a wealthy coal owner, advised the Royal Commission of 1867-1868 (minute 11411): 'I endeavour to keep [workers'] wages as uniform as I can, whether the trade is good or bad. A little of the paternal system is very useful, because you can then keep your men in times of difficulty'. In a similar vein, the Quaker coal owner J. Whitwell Pease, in response to the suggestion that the provision of cottages, gardens and pigsties was 'as much in the interest of the coalowners as of the men', commented: 'I may repeat what I said before, that even if there was no higher motive for making your men comfortable, I believe it pays' (Select Committee 1873, minute 4420).

A concern with employee welfare features prominently in the published accounts of SCI Ltd throughout the study period. The directors' reports repeatedly emphasise management's concern for the wellbeing of the workforce through actions taken to help ensure the safety of staff, the education of workers' children and sufficient accommodation for colliers and their families. Also, financial support was provided for workers and their families when injuries or death occurred in the workplace. The motivation for such arrangements is explained by Markham in evidence presented to the Royal Commission (1867-1868, minute 11512), namely that 'the people are, I believe, better off in every way from the kindly feeling existing between master and man'.

Despite philanthropic initiatives, and supporting rhetoric, it is difficult to interpret them as much more than part of a strategy designed to help maximise the return for investors. When we delve further into the archives, we find an incontrovertible lack of congruence between the messages displayed in the public domain and the language used in the boardroom. It was management's wages policy that demonstrates, unequivocally, an iron resolve to minimise the share of value added distributed to the workers and to maximise the returns to shareholders. Whereas the 'mission statement' (DR 1867) announced a commitment to give 'the best wages to all industrious workmen', a diametrically different priority resonates from the pages of the directors' minute books. There, it is repeatedly made clear that wage increases occurred only when they 'had to be made' and when management was 'compelled' to do so because workers were determined to go on strike or move to better paid positions in other coalfields when profits were high.

It has also been shown that the directors went to great lengths to deny workers' access to the published accounts based on a concern, verging on paranoia, that their content might be exploited for wage bargaining purposes or to pursue improved working conditions. Because management eventually decided it was impossible to prevent workers from acquiring some understanding of SCI Ltd's financial performance and position, either by gaining access to the accounts or through the content of newspaper reports, actions were taken to manipulate calculations of profits and dividends. Bryer (1993, p. 651) has suggested that, 'in the face of militant labour, it would often be in investors' interests if profits were "conservatively" understated'. This tactic was employed, at SCI Ltd, by making undisclosed deductions for capital expenditure and depreciation. In addition, a one-for-one bonus issue of shares was made in 1873; a strategy which Gallhofer and Haslam (2020, p. 591) reveal was used for the same purpose by Brunner, Mond in 1888, i.e. to reduce 'the apparent dividend as a percentage of the nominal value of the shares'.

The research question addressed in this paper – namely whether there is evidence to prove that corporate financial reports were employed by British management in class conflict between owners of capital and suppliers of labour – is answered in the affirmative. A limitation of this study in terms of improving our understanding of the role of published reports in late-nineteenth century Britain is that it covers a single company. It is impossible to claim that our findings are representative of the experience of other companies. However, there were many large and heavily labour intensive companies in the coal, iron and steel industries of late-Victorian Britain, as there were in other sectors of the economy, who would have faced the same industrial relations challenges as did SCI Ltd, and perhaps tackled them in a similar manner. This idea gains credence when the degree of management connectivity between such companies is recognised, though Pochin, who served as the director of 22 companies,[19] was probably an exceptional inhabitant of that population.

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[19] He was described as the 'leading spirit' at Bolckow, Vaughan & Co. Ltd, John Brown & Co. Ltd, the Tredegar Iron & Coal Co. Ltd, Palmer's Shipbuilding & Iron Co. Ltd and the Sheepbridge Coal & Iron Co. Ltd, as well as SCI Ltd 'and other undertakings of a similar character' (Obituary 1895).

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