

INDUSTRIAL DEMOCRACY.

A study of  
Labor Payment, Conditions and Tendencies.

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## HISTORICAL.

Since the beginning of human relations, some of the more ambitious and more capable members of society have by various means found and practiced methods of exploiting the efforts of their fellowmen to their own personal interest. These individuals have been naturally gifted at organization and control and have been able to dominate their slower, less mentally active associates. It is a cumulative process, once having been started the act of further subjugation becoming easier and easier as the clever person gets more and more control over the other.

For many centuries slaves were used to do all kinds of menial service. These people were often members of conquered tribes or nationalities, or were people who were considered inferior for one reason or another. They were brutally treated, and being considered as mere chattel were bought and sold as we now do horses and cattle. As time progressed the degree of control an owner had over these slaves slowly <sup>became</sup> more limited.

The conditions of the serfs of Europe was somewhat better than that of the early slave. True, they were bound to the land and virtually owned by the landlord who forced them to do his work and pay him taxes which were exorbitantly high; yet they had a greater degree of freedom and were not so much abused, generally, as were the early slaves.

As civilization changed from a pastoral and village state and shops run by single proprietors came as a crude forerunner

to our present industrial system; the apprentice method set in. Young men were "bound out" to "learn a trade" and were taught the routine work and made do the wearisome druggery of an occupation for a term of years varying from two to nine, seven being the usual period. When they were apprentices they received very little for their efforts, were governed almost entirely by their proprietor, and though they learned the essentials of the business they were really exploited while "doing their time". After spending the required time the apprentice might become a journeyman himself upon completing certain work in a manner satisfactory to the guild. As it required very little capital to start out as a tailor, blacksmith, cobbler or in some like trade in those days, he could soon start in business for himself and could make up for the way he was treated when an apprentice by himself exploiting other unfortunate individuals who were desirous of learning the trade. In this way he could get his more menial work done cheaply.

From this stage has evolved the modern industry of the present day world. It is too well known to warrant an explanation of its development; sufficeth to say that the means and tools of production have become less and less under the control of those who use them. The laborers in a manufacturing concern do not own the tools and machinery with which they make the finished product. They may not know any, or more than a very small percentage, of those who, because of their invested capital, do own the means of production. Similarly most of the people who have put the money into the

concern may have never seen the plant or any of the workers who are earning money for them. The workers are thought of just as cogs in the machinery that give the final result. They do just as they are told by management, and as long as management is capable of giving a satisfactory return to the investor nothing else is considered.

The average worker in a modern industry today is a slave just as were the apprentices, serfs and slaves of former times. Some of his conditions are better; yet some are also worse. Civilization is becoming more humanitarian in its consideration of these wage slaves as time goes on, and laws are being passed limiting and prohibiting some of the more flagrant abuses; yet there is still very much to be desired. In former times the old slaves were kept until they died or, in some cases, were more or less humanely killed when their period of usefulness was over. Many workers today are considered of value only as long as they can produce material wealth; and after they are no longer able to do so they are turned out in the cold to find a means of sustenance, in whatever way they can, even though they have rendered years of faithful service. It is usually, or often, due to some circumstances which they had no personal control over that they were not able to save anything for their old age. In this it seems the slaves of olden times had the advantage over the present wage earner, though the latter does not need to fear physical torture aside from that of hunger.

The modern workingman lives in constant fear of hunger. He never knows when he will lose his job; and the amount that he is able to save from his labors, especially when he has a family some of whom are ill at times and require the necessary large expenditures on sickness, will not provide very many meal tickets. The olden time slave was in general assured of means of sustenance for his usefulness was impaired if he was not fed. But the independent laborer of today is not even so assured and is in constant fear of unemployment, which means great suffering and sacrifice if he is forced to live from hand to mouth.

Unemployment may come from numerous things over which the worker has no control. Such things as business cycles and market depressions carry little practical significance to him who is forced to live in a material world. Yet with such abstract reasons as a cause for their action, the employers may tell him that his presence is no longer required. So the weekly payroll with which to buy the next week's necessities does not come in. And the erstwhile laborer must look for some other means to eke out some kind of an existence until the business cycle starts on the upward slope again, or the complicated market conditions are again favorable to production.

Theoretically, the laborer has all the time except his working hours that he can call his own and in which he can do whatever he wishes. However after working eight, ten, or twelve hours at a terrific rate he is desirous of rest when he gets home. He is fatigued and in no condition to "study" labor and world problems. He has not enough money left over

from his earning, after purchasing what he must have, to indulge in many things that would give him pleasure and relief. It is not all as rosy a picture as it is sometimes painted.

A single blunder of management can do more to hurt the business than the error of an individual workman. The factory may have to discharge men simply because of one foolish act of a manager. This is discouraging to the worker because it is something entirely out of his control. If the worker made a mistake himself, though a discharge may seem unwarranted, he at least knows he could have prevented it had he not erred. There can be no justification apparent to the workman why he should lose his job if some higher up who should know better makes a mistake. This wrong decision may cause misery and suffering to hundreds of laborers and their families.

## METHODS OF WAGE PAYMENT.

There are two main methods of pay for labor: piece rate and time rate. As the name indicates, the former is a certain compensation per piece turned out, while the latter is pay for time spent. There are five other methods, each of sufficient importance to be grouped alone by authorities who have studied the various systems. These are variations and combinations of the aforementioned two main methods. They will be discussed after the two basic ways are briefly treated.

The time rate does not give one worker at a job more pay than another, though the first might be much better and faster, unless the one is enough better to command a higher rate of pay. There is usually quite a gap between one wage and another and this does not give the worker much stimulus to improve his work when his improvement would have to be so marked before he could get immediate benefit from his additional efforts. As long as enough work is done to keep the job, the remuneration will be the same as with greater effort. However, this method tends toward better quality of workmanship and insures pay for every day.

This system makes the primary fallacious assumption that all men's time is of equal value, or that they all do the same work in a given time. This is untrue because of the different degrees of skill and ambition different humans possess. The time of a very talented man is vastly more valuable than that



of the ordinary worker, and though this system recognizes great differences it does not recognize slight variations. Yet it has been extensively used, and is still employed in perhaps a majority of instances. It makes use of the fact that time is valuable and that a minute lost can never be regained, yet it overlooks the fundamentals shown by the above shortcomings.

The piece rate system remedies some of the errors in the time rate plan. It gives the ambitious worker the incentive and opportunity to secure increased compensation due him on account of his greater skill or diligence. It saves constant supervision and driving of the workers. It weeds out the inefficient and mediocre worker. It tends to eliminate discrimination and favoritism. The actual amount accomplished is down in black and white and these figures tell the real merits of individual workers, while because of the human element a foreman might favor a man of less ability and resource. In some types of work this favoritism exists anyway, because of the kind of jobs allotted to disliked workers etc. The good worker favors this method for, if impartially managed, he is given recognition for what he really does. There are, however, some disadvantages to this plan. It does not assure a minimum day wage. It encourages excessive speeding—detrimental to the workers health. It has the tendency, on the part of the worker, to sacrifice quality for quantity. Operatives on piece work may lay off work for a day or two and then work at high speed for the rest of the week.

The worst difficulty, however, is that as the efficiency and skill of the workers increase the rate per piece will be cut. The tendency among employers is to pay employees only a certain amount of money. Thus if a man starts at piece work and has average ability he will receive a given compensation per article. As most such work is routine, after some time at his job he will become much more efficient; possibly to the extent that he can turn out goods three times as fast as when he started. The value of this work to the employer is obviously three times as great as his work at the beginning. Perhaps the worker's daily pay would thus be increased from \$6 to \$18 a day. But the employer would reason that \$18 a day is too much for a laborer to get; that he cannot afford to pay such high wages and will consequently lower the rate per piece so that the laborer will get, say, \$7 or \$8 a day. Of course this will not be cut all at once as in the illustration, but will be cut gradually as the worker becomes more efficient, the maximum pay never exceeding some \$8 a day. This unjust rate-cutting, though exaggerated above, is a topic of much friction. It leads to restriction of output to prevent rate cutting and thus defeats part of its purpose and some of its advantages.

A method of shifting the burden of labor disputes from the shoulders of an employer to another person is that of the contract system. It is used in some shipyards and locomotive industries in the United States and Great Britain. The employer furnishes all tools and equipment and the contractor

supplies his own workman settling the wage payment problem as he sees fit. The plan is not very satisfactory as neither contractor or workmen have much interest in the upkeep of tools or wear and tear on equipment. The benefits to the employer are obvious. He gets a definite cost on his product and is not concerned directly with the workers. However, the system is merely a means of shifting the wage payment problem and does nothing to solve the basic problem.

The first other plan is known as the Halsey premium plan. The worker is paid a day rate with a premium for any addition to output over the standard rate which is determined by previous records and actual performance in the shop. For every hour that a workman can shorten this standard time he is paid a fraction, usually from one half to one fourth, of his hourly wage as a premium. Thus suppose the time set for a job is three hours and the premium is  $33\frac{1}{3}\%$ ; if the job takes actually only two hours, the worker will be paid in addition to his regular hourly rate, one third of the time saved or twenty minutes at his regular hourly rate, thus receiving pay for two and one third hours while actually working only two hours. Some of its advantages are: that a day wage is assured; the plan is very simple and not confusing to the workmen and so is easy to introduce; workers are rewarded in proportion to their efforts; the reward is immediate and substantial. The chief argument against it is that the rates are set by judgment or based on records that do not represent the workman's normal capacity. This is not a fault of the plan that can be

all charged to the plan, for this difficulty is inherently present in all plans based on performance. It is probably the most widely used of the premium sharing plans.

The principle involved in the Halsey plan can be modified in various ways, and one type of such modification leads to the second, or Rowan, plan. In this plan a percentage is added to the day rate being computed by the fraction  $\frac{\text{time saved}}{\text{standard time}}$ ; and this fraction times the day rate for time consumed gives the premium. Thus if standard time were 10 hours and day rate \$3 and the job was completed in eight hours the premium would be  $\$3.40 \times \frac{2}{10}$  equals .48, and his pay \$2.88 or at the rate of \$3.60 a ten hour day. This plan gives a higher premium for small savings over the standard time than does the Halsey plan, but less for larger savings, approaching the limit of twice the day pay for doing the work in infinitesimal time. The Halsey plan places no such limit.

Another plan is the Taylor (differential piece rate) plan. It was inaugurated by the late F. W. Taylor who did so much for modern industry. Careful time studies are made, then two piece rates are set. One is for those not reaching standard time, while the other is for those reaching or bettering it. The former rate is quite low to encourage people to reach the standard time and hence the higher rate. One advantage is that it pays a wage more commensurate with the effort of the worker. Another is that it reduces to a minimum the chance of fixing the rates out of all proportion with the existing standard of wages. Also it is a stimulus to the worker toward

maximum production. A disadvantage is that a day wage is not assured the worker. Another is the danger of undue overspeeding, as is the case of straight piece rate method of payment. It also makes a great distinction between those who make the bonus and those who do not.

The Gantt plan, sometimes called the task and bonus plan, is the fourth of these other plans. Under this system the standard times are determined by a stop watch used on the operations. If a worker can do his work in standard time or less he gets a bonus in the form of time allowance of from 20% to 50% of the time allowed for the task. If it takes more than the time allowed he gets the basic day rate as a minimum guaranty. It is a combination of the Halsey and Taylor plans. Like the Taylor plan it makes a large (but not as large) <sup>distinction</sup> between those who make the bonus and those who do not. It is discouraging to a worker who strives for the bonus and just barely missed it, for he would have received the same compensation had he not striven for additional by working harder than necessary. It does not appear as fair and is not as popular with the workers as the Halsey plan, for it gives a percentage of the total time of the operation if any is saved rather than of the time saved.

The last plan to be considered is the Emerson efficiency plan. This plan is not applied to the individual job but rather to the day's or week's work. A day rate is paid for  $66\frac{2}{3}\%$  or less of standard output. Then the bonus increases

with increasing efficiency. For 70% output it is 3% bonus, for 80% ~~bonus~~<sup>output</sup> a 10% bonus, for 100% a 20% bonus, and so on in increasing rates. Some of the advantages claimed for it are: it assures the workman his day wage; it establishes a standard performance that represents a full and fair task for the worker; it offers a large bonus for the attainment of the standard, but smaller bonuses may be attained before reaching the standard; it stresses the work of a day or week and so tends to prevent possible overspeeding on individual jobs with the resultant exhaustion and subsequent lowered efficiency on following jobs. However, the plan sets a goal that few can reach without overstrain. While the plan assures the worker a day wage, it does not assure him a wage as high as in plants where there is no efficiency program. The standard of accomplishment is set so high that it is almost impossible for an operative to be more than 100% efficient.

There are numerous variations of the above plans possible and many of them have been tried. The above examples, however, illustrate the main principles and are named after the pioneers in the field who originated the plans in question. A good plan should be simple so that the worker can understand it thoroughly and he should be able to check the bonus given him. In all plans the bonuses should be figured, immediately, as delay breeds dissatisfaction. If the workers are paid by separate checks for the bonus they will feel more pride in getting it than if it is contained in the aggregate amount of wages received.

Other plans which involve the same general principles as above are listed in Roe & Lyttle "Management Handbook" as: Parkhurst, Bigelow, Barth, Knoeppel, Wennerland, Diemer, Merrick, Haynes, Bedeaux, Ficker, Price Rate, and Ficker Time Rate.

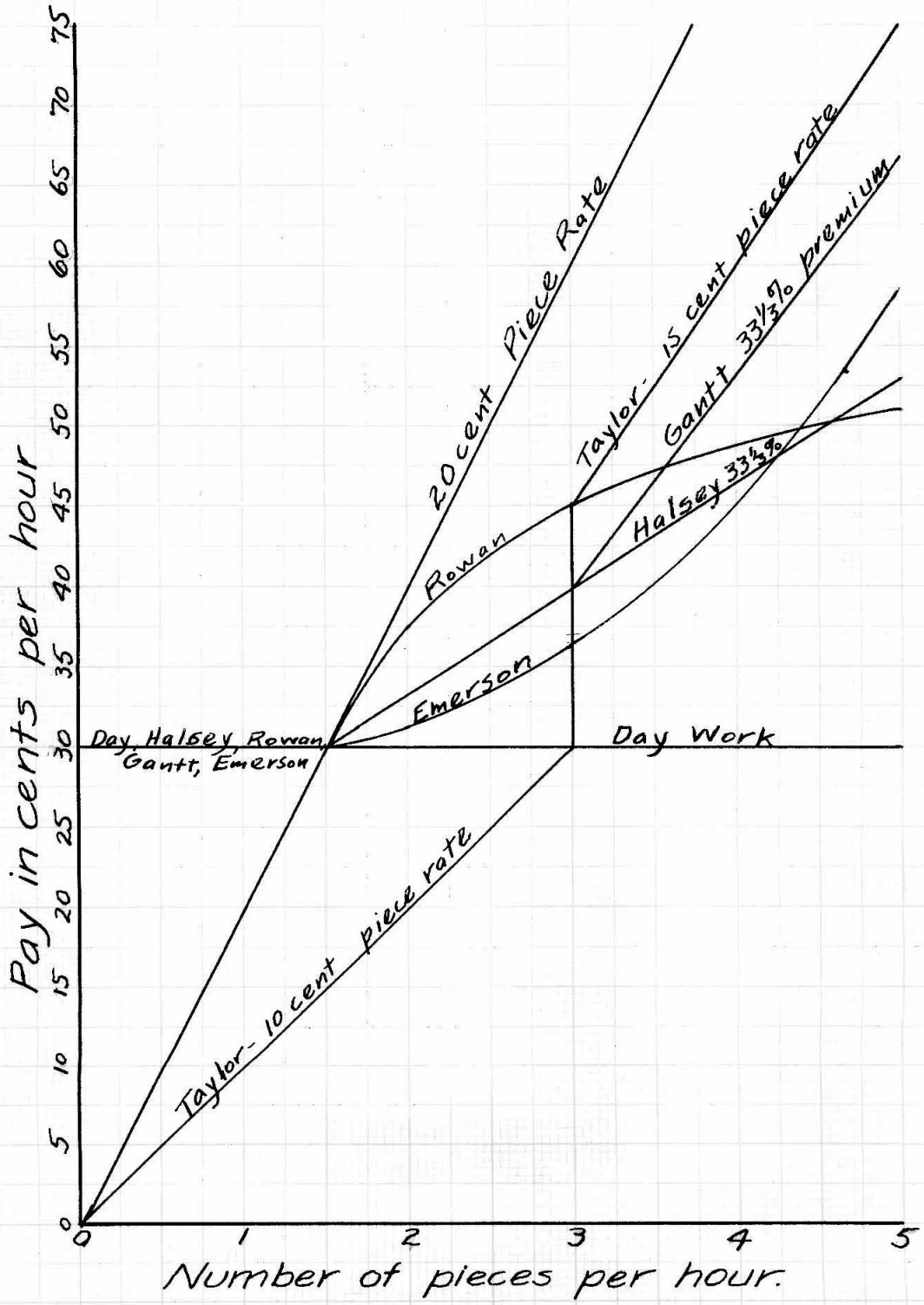
As a possible basis of comparison between the different systems briefly explained above the following chart may be of value. As ordinates it shows the pay in cents and as abscissas the number of bolts made per day. It assumes that fifteen bolts for a ten hour day, or 1.5 bolts hourly, is a fair output. For the improved conditions and the general assumption of stimulus of reward under the Taylor and Gantt plans three per hour is considered standard. The chart clearly shows the price per hour as the number done per hour changes under each plan and so gives a graphic representation of them. See chart on next page.

An interesting comparison of costs under the various systems and the cost for the usual number turned out under each plan is shown in the table below. The figures in <sup>purple</sup>~~red~~ represent the ones usually attained under each system.

Number per day	Cost per bolt in cents					
	10	15	20	30	40	50
Day work	60	43 $\frac{1}{3}$	35	26 $\frac{2}{3}$	22 $\frac{1}{2}$	20
Piece work	50	43 $\frac{1}{3}$	40	36 $\frac{2}{3}$	35	34
Halsey premium	60	43 $\frac{1}{3}$	36 $\frac{2}{3}$	30	26 $\frac{2}{3}$	24 $\frac{2}{3}$
Rowan premium	60	43 $\frac{1}{3}$	38 $\frac{3}{4}$	31 $\frac{2}{3}$	27 $\frac{1}{5}$	24 $\frac{1}{5}$
Taylor piece	45	36 $\frac{2}{3}$	32 $\frac{1}{2}$	33 $\frac{1}{3}$	31 $\frac{1}{4}$	30
Gantt bonus	65	46 $\frac{2}{3}$	37 $\frac{1}{2}$	31 $\frac{2}{3}$	29 $\frac{1}{2}$	28 $\frac{1}{3}$
Emerson efficiency	65	46 $\frac{2}{3}$	38	30 $\frac{1}{2}$	27 $\frac{3}{4}$	—

# Graph Illustrating

Different methods of wage payment.





It will be noticed that for the usual and higher output (20 and above per day) the cost for day work is lower and for piece work is higher than for any other system. However, the gain in output is highly important and desirable in these systems and due to the number produced the cost per article is less. These values must be taken as approximate and as only indicating general principles. Each shop presents a separate problem.

In the systems suggested the men do not have to be "driven" to greater exertion, they are paid for extra effort, the hope of receiving this added remuneration being the incentive that guides them to greater effort. However, the ultimate end is not greater and greater production; but rather, that the employer gets full value for his money and the employee receives adequate reward for his efforts.

The above plans, or combinations of them, provide the systems by which the majority of American industrial workers are paid today. ~~There are, however, other methods and systems which~~

~~are very interesting and which bear close examination.~~

## TRUE RELATIONS.

When the relations of hired and hirer is looked at from the position of one individual employer or employee it appears that their interests are exactly opposite, in a sharp antithesis. Yet, when a transaction between a salesman and a purchasing agent is viewed hurriedly and superficially, the same thing appears to be true. One is trying to get the article for as little as possible, the other to sell it for as much as possible. The two situations appear exactly similar. Yet the salesman and the purchasing agent both realize that the other fellow has to make a living too; that in the interest of their future dealings, their mutual interests, and fair play it is not to their advantage to force their side of the argument too far. It is to the welfare of each that the other's interest is protected and the transaction should be favorable to them both so they may each realize a profit. No longer does the wise salesman try to get the last penny from the purchaser and "skin" him if he can.

But the time has not yet arrived when this principle is recognized in the case of employer and employee; which is, in the long run, a case of identical interests. In the light of any one employer for one transaction it is to his advantage to get labor as cheaply as possible, just as for one transaction a seller can realize more profit if he can get more than the article is worth and so "sting" the buyer.

Fundamentally the problems are exactly the same. The one of purchaser and seller has come to be recognized first and observed because these individuals are more nearly equal when they bargain than is an employee and his employer. In the former case both have something to lose if the result of the bargaining is not mutually satisfactory. But the employer has nothing to lose if a worker does not accept the terms he offers. While the worker is often without funds, cannot find a better job, and rather than go hungry he accepts the wage offered. Though it probably is not adequate it is to be preferred to nothing. In an effort to place the employer in a position where he too has something to lose in a bargain for labor, workers have joined together in unions. When any considerable percentage of the workers demand some change, the employer must listen as the loss of their services might seriously hamper his business.

While unions are undoubtedly justified in order to put employer and employee on a more even basis when they are working out the details of working hours, pay, etc.; the union is not an instrument that will help along the idealistic understanding between worker and owner that is fundamentally at the base of their relations. As before said, when viewed superficially, or selfishly, from a single employers viewpoint, their interests seem to be opposite, yet they are really the same; just as <sup>are</sup> those of buyer and seller in industry, which in big successful businesses is no longer considered as an opportunity to "put one over on the other fellow",

but rather a chance to help him out, charge a fair price, which the goods are really worth, and at the same time make profit. The employer has the upper hand in labor troubles and is seldom willing to relinquish this advantage in order to have the true value of the whole situation become apparent.

If the employer and employees in one factory, say, would get together and both decide to work as best they could for a fair return to themselves; that is, so they could both live comfortably, and support their families well and save a little for old age; and if they would be satisfied with this and be confident that the other party was holding up his part of the agreement they could work together in harmony. They could by this means produce their article for at least as little, and in all probability less, than they could before. Service to the community would then be one of their ideals. If this practice could then extend through the other factories of the same industry and then through the other industries, it would doubtless reduce prices very materially, for the huge profits of some would be eliminated as would also the useless waste of money spent for fighting the other faction. Being satisfied with this fair profit, then, the products would be reduced in price, this would mean that people buying any one product could get it for less, would need less to live as well, could therefore get along as well by taking less from their business and so could cut their prices. This cycle would continue until a level would be reached where prices would be much lower than they are now. Here everyone would live

comfortably and some of the better producers would be justified in living quite luxuriously. Everyone working at an industry whether employer or employee would be striving to put out the best product possible, as cheaply as possible but at the same time having ample for their own support. If all industries had this motive prices would doubtless be reduced by a large percentage, and an entirely new and better feeling would exist. Instead of doubting and distrusting other people, they could be respected and would be esteemed the most when they did the most service to the rest of humanity by making their product available for as many people as possible, by reducing the selling price.

The unfortunate thing about our present system for the reward of effort is that the token in which it is evaluated, money, is worth as much to the holder no matter how it is obtained. A quarter taken from a blind man's cup will purchase as much as if it were received for digging ditches for an hour. While this universal acceptability is an essential to a medium of exchange, this quality works to a disadvantage in this particular respect. The possession of money is the thing that is admired, generally, today without any inquiry as to how it was obtained. Because of this feeling of admiration for the man who has amassed the dollars, there is a mad scramble to see who can get the most. It matters little how the end is attained. If a factory owner can get men to work at starvation wages and sell his product for two or

three hundred per cent of its actual cost he will become rich and will be respected; if not in the community where he makes his wealth, he can move to another place where people do not know of his underhand methods and he will be accepted by the social leaders because he "has the price".

It will doubtless be a very long time before the fact that the interests of employer and employee are identical will be realized. The employer is not unselfish enough to be willing to practice the true relations, and the employee can not initiate the move himself because the employer will not give him a chance. In order to protect his rights the worker has been forced to join together in unions. The union looks out solely for the worker, taking all the advantage it can for him. Employers have reciprocated this action by themselves forming combinations, Employers Associations, which look wholly to the welfare of the employer, at the expense of the employee. These organizations are obviously always at swords points. They increase the gap between the factions, make the members of one group see the others always at fault, and rejoice when they gain a point over the other side. This feeling will never lead to the clear and real understanding that should exist between them. The unions may, however, put labor on an even level with owners in the bargaining for work. When management no longer has the advantage they may be willing to see things in the true perspective, and to cooperate with the worker in an honest attempt to produce the article at a fair price for a fair profit. It is quite certain this would never

happen if things continued in their old manner for capital would not be willing to yield its advantage in the future any more than it has in the past.

There have been some plans devised by employers in the past which are really designed to help the employee to about the same degree that they help the employer. There have been numerous other plans developed by the initiative of the employer which apparently help the employee, while in reality they only have that appearance and actually help the owner to a much greater extent than the worker, in some cases even working to the disadvantage of the employee. By bitter experience workmen have learned to look with suspicion upon suggested plans, as they have been so often exploited. Among the various devices brought forward by management are bonus plans, profit sharing plans, employees representation systems, workmen's insurance and compensation arrangements, stock purchasing plans, and various pension schemes.

Aside from the plans put forward by management labor itself has forced employers to make several much needed reforms by use of the labor union. Unions have won much for labor, though not all that ~~labor~~ <sup>labor</sup> deserves. The organized efforts and desires of the many have of necessity had to be heard by employers, and by resorting to forceful and semi-forceful means of strikes and boycotts they have forced employers to better labor conditions.

The remainder of this paper will concern itself with an investigation of the various means adopted of meeting the labor

question, first by labor itself and second by employers. In the latter case inquiring into the various schemes and plans to see which are genuine attempts to mutually help both parties and which are disguised plans to further exploit the work of the workingmen.



## TRADE UNIONS.

Trade unions have had their remarkable development since the coming of machinery into industry. With the exception of some few groups, like the English tailors catering to the rich trade, who had an effective trade union a long time ago, the trade union is of comparatively recent origin. Because it is yet new, new things are often not understood, and are regarded as dangerous, and for several other reasons trade unions have not met with the approval of the mass of the people. Part of this condemnation is perfectly justifiable for the system has been abused, just as every system is liable to be abused. Yet the organizations certainly have a lot in their favor.

Trade unions are designed to work for the laborer, so that he may be made more comfortable and may get a fair return for the commodity, work, that he renders. The accomplishment of this usually demands an increase in wages. Due to false economic theories of the past this raising of wages was considered to be detrimental to society, and as society was ready to accept these theories readily, unions were frowned upon.

The theory of the Wage Fund as popularized by McCulloch was one of these and was very convenient to the employers. J.S. Mill also supported this theory with convincing comment. Due to the work of these men and the erroneous original concepts the time of the coming of the union was retarded. In brief the theory said that there was a certain definite sum

available for the payment of labor, and the amount of wages per individual obviously depended upon the number of laborers; that it was economically impossible to raise the wages per man without simultaneously reducing the number of workers; that an increase in the women's and children's wages would mean a decrease in someone else's. The raise, it was thought because of the fundamental theory, could be only temporary and would finally have to be paid for in some way. Thus an organization that tended to raise wages was looked upon with horror and condemned.

However, as time went on the workers protested some of the very bad conditions under which they labored. They were successful, and later, after much argument, the theory was recognized as false.

The workman has the labor of his hands to sell. This is a commodity just as is bread or cloth. He can go to an employer and ask for a job and the employer offers him so much pay for so many hours work. If the laborer does not feel that it is enough he can refuse, not being lawfully in any way bound to accept the wage offered. But if he goes across the street he will not be offered any more. Because of agreements among the employers, he would not be offered any more for his kind of labor anywhere in the locality, so it matters little which company he works for. In the mean time he has to live and he is dependent upon the sale of his commodity for his physical sustenance. He will, therefore, be compelled to accept the low wage in order to exist. It is here that

the employer has an upper hand. He pays labor little, thus has more profit and personal gain than he would have if labor got its just reward and the gross income to the employer remained unchanged.

Society is rather reticent about adopting any changes, such as trade unions, for their existence may mean a financial cost to the consuming public. The manufacturer says that he has to charge more for his article because he has to pay labor more. Thus the public is charged more, which may or may not represent only the additional cost to the producer, of labor. An increase <sup>of</sup> a concern's profits does not guarantee a wage increase of equal proportion. Society tends to protect itself by not allowing the raise in wages. This is a natural human failing, yet it is anything but humane to let some suffer so that others can have more, when the latter already have a sufficiency. Labor is an essential part of production and is entitled to adequate compensation.

In understanding how the labor union accomplishes its desired end it is worthwhile to see how it functions when under strain, during a strike. An intensely interesting situation is viewed in the strike of the clothing workers of Chicago in 1910, and the unionizing of the clothing industry there. It is typical of the union method. The whole story of this union from 1910-1922 is presented in a book entitled "The Clothing Workers of Chicago" which was prepared by the research department of the Amalgamated Clothing Workers under the direction of Leo Wolman. It is a fascinating book, filled

with action, and though presenting the problem from the worker's viewpoint it gives in a vivid manner the history of the case and shows the trend of the whole question at this time and place.

## LABOR UNIONS UNDER STRAIN.

The recent history of the Hart, Schaffner and Marx, men's clothing manufacturers is one of the most interesting chapters in the advance of labor's plea for justice. The conditions in the clothing mills of Chicago were bad and were becoming increasingly worse. The floor boss held sway and had complete power of discharging workers who could make no appeal. These bosses were often unjust and worked in such a manner that they could reap additional profit by certain underhand methods of paying sub-bosses too little, etc. The bosses had power to do as their whims dictated and to control the financial income of those under them.

All the other large wholesale clothing makers of Chicago formed into a society known as the Chicago Wholesale Clothier's Association. This forced Hart, Schaffner & Marx to compete against the other firms who naturally adopted methods to bring Hart, Schaffner & Marx in with them.

At this crucial juncture the great clothing worker's strike of 1910 was declared and effected. Then the clothing workers struck because of general intolerable conditions. Mr. Joseph Schaffner in commenting upon it said he thought it was due to an accumulation of "minor grievances, exactions, and petty tyrannies of under bosses". The workers were unable to get redress for the bosses stories would be accepted over theirs. The bosses would get "down on them" and they would either lose their job or work under very unfavorable circumstances.

He said upon learning some of the tyrannies that the strike should have taken place long before it did. About 40,000 workers struck.

For the first two months no agreement was effected, though two attempts were made. The United Garment Workers, the worker's union of that time, was loosely governed and poorly controlled by President Rickert. The union lost confidence in its leaders, which eventually led to its disintegration. During the period of the strike many injustices were perpetrated against the strikers by the guards and police. In fact it was the public knowledge of the violence and brutality of the police officers that won the public favor over to the side of the strikers.

The Chicago Daily Socialist, through its sale of strike edition; turned money over to the strikers; other societies also helped, doctors and druggists gave free services, people housed and fed strikers, grocers and butchers gave free food to the various relief stations, and general public feeling came to favor the strikers.

On January 14, 1911 an agreement was reached between the United Garment Workers and Hart, Schaffner & Marx with the following as the basic principles:

1. All former employees were to return to work within ten days of the signing of the agreement. No mention was made of exceptions in the case of those guilty of violence.
2. There must be no discrimination against workers because

of membership in the union.

3. An arbitration committee of three was to be chosen for the purpose of considering and adjusting all the grievances, and the ~~ir~~<sup>was</sup> ruling to be binding.

This brought to an end the strike as far as Hart, Shaffner & Marx was concerned. This weakened the other strikers and the union declared the strike off early in February, even though no agreement had been made with the other employers. Many of these strikers were refused their former jobs. However, the workers were hard pressed by the long winter months of privation, their faith was shaken in their leaders, they were demoralized by this action and forced to give in.

As many of the former strikers were refused work or given it under more intolerable conditions than before, it appeared to them that the long suffering they had endured was useless and the strike had resulted in their defeat. It indeed seemed so and that Rickert and others in charge had done wrong. Charles Lazinskas and Frank Nagreckis were killed without reason in the strike. Yet in this strike many new and capable leaders were formed among whom are Sidney Hillman, Frank Rosenblum, Sam Levin, and A.D. Marimpietri.

In the Hart, Schaffner & Marx the new plan was put immediately into operation. The workers chose Mr. Clarence Darrow to represent them, and the employers Mr. Carl Meyer. These parties could not agree on a third party who could serve, so the committee functioned for a time with these two and decided

many important matters including wage increase and shortening of working hours. This constituted the Board of Arbitration. However, it seemed inadequate and as danger of serious trouble seemed imminent, a committee composed of E.D.Howard and Carl Meyer for the company, W.O.Thompson and Sidney Hillman for the employees, and Charles H. Winslow as the neutral member was appointed; who made rules and duties for a new, or Trade, Board. This Trade Board~~s~~ composed of eleven members (later reduced to five) had weekly meetings to decide on policy, wage adjustments, etc. If either side was not satisfied with the decision of this Trade Board they could appeal it to the original Arbitration Board for final settlement. The Arbitra-  
 tion Board was completed when Mr. J. E. Williams was ~~chosen~~<sup>chosen</sup> as third member and chairman, in which capacity he served until his death in 1919. In the first two years 1178<sup>cases</sup> or 84.1% ~~were~~ disposed of by deputies prior to trial. 14.7 % were settled by the Trade Board, only 1.2% going as far as the Board of Arbitration.

The agreement expired May 1, 1913 and a new one was reached after some worry on March 29. This agreement known as the "Preferential Shop Agreement" was undoubtedly one of the greatest gains won by the clothing workers of Chicago. Some of its main clauses were:

1. All workers must be members in good standing of the United Garment Workers and new employees must join the union within two weeks after employment.

2. The fifty ~~hours~~ hour week for tailors and the forty eight hour week for trimmers and cutters.



3. Tailors: overtime must be paid for at the rate of time and a half; no overtime on Saturdays, Sundays, or holidays; \$16 minimum weekly wage; increases to be arbitrated; price committee to be created to determine prices and changes according to certain rulings.

4. Continuation of present Board of Arbitration during life of agreement.

5. \$9 a week minimum for all workers.

6. No worker may be discharged without sufficient cause.

7. Overcrowding is considered a grievance.

8. All priveleges of old agreement not covered here to continue as before.

9. For other departments, various wage and rate adjustments.

In the fall of 1914 there was a split in the union in a very dramatic way. The majority of the delegates to the Nashville Conference, no longer having confidence in Rickert and the other officers, met at another hall, Duncan Hotel. As none of the officers were there they elected new ones and formulated new rules. This group was later known as the Amalgamated Clothing Workers of America, though they retained the old name for awhile. Many locals, including those of Chicago, endorsed their delegates' action and the new union was firmly established. It finally superceded the old, though the officers of the latter put up a bitter fight. The new organization remedied many of the defects of the old and the workers, generally were ready to support it, though formerly treated unfairly by the old union.

In 1915 a strike was attempted by the new union against the very bad conditions in the non-union shops. Some of their demands were: a forty eight hour week, time and a half for all overtime, a 25% wage increase, better distribution of work during slack seasons, recognition of the union, a minimum wage scale, no employee discharged without proper cause, suitable arbitration machinery established for the adjustment of future complaints. 25,000 workers struck and the police continued their vicious tactics until the mayor finally told them to cease such actions, due to the pressure brought about by Hillman and general public feeling. Little attention was paid to this by the police, however, as they continued their brutality and other strikers were killed and injured. The mayor stayed out of the situation though urged by prominent citizens and labor officials to help settle the strike. Three aldermen, Buck, Kennedy and Rodriguez, worked in favor of the strikers as did the famous Jane Addams.

The strike ended on December 12, 1915, and though the union was not fully recognized, important concessions were made. Another strike was perpetrated the next year which brought more concessions until final recognition of the union in the Chicago Clothier's Association was given in 1919. The strike was very orderly and Hillman had wonderful control over the strikers at all times.

And all this time the wheels were turning in the Hart Shaffner & Marx where the unions were recognized and the men dealt fairly with. It was to<sup>a</sup> great extent due to the fear

of the competition of Hart, Schaffner & Marx that the other manufacturers gave labor the concessions they did when they did. The Hart, Schaffner & Marx employees also did a great deal in helping the others organize and giving them inspiration to keep on trying.

The Federal War Labor Board also did much to disprove some of the unfair accusations of the employers. It established the right of workers to bargain collectively and prohibited discrimination against union members. Several employers violated this and the workers struck, being upheld by the government board. They won easily and shortly.

On January 8, 1919 Hart Schaffner & Marx declared a forty four hour week. On January 22 the Special Order Tailors announced a like change and a week later the Chicago Clothier's Association said a similiar change would take place in their plants on April 28. Millman thought it should take place at once, notified certain workers to quit at 4:30, the time that would make a forty four hour week. This caused much excitement among the manufacturers and the new day was establish on January 30, three days after the posting of the first notice.

This signal victory was a great evidence of the strength of the union and membership increased rapidly. This organization was not done without mishaps, hardships, and strikes in certain places. ~~Surely~~ <sup>Slowly</sup> but surely the union gained ground and on March 26, the union signed agreements with B. Kuppenheimer Co. similiar to the Hart Schaffner & Marx agreements.

The union people solidly stood behind the non-union worker until on May 13, 1919 Hillman was able to present to them the preferential plan for their improvement, it having been agreed to by the Chicago Clothier's Association; which comprised the largest houses except Hart, Schaffner & Marx. Soon similar agreements were reached with smaller organizations, and on May 28 the whole Chicago market was unionized—the best of worker's dreams realized—Chicago 100% Amalgamated.

This success must be partly attributed to the strength of the Amalgamated and its efficient management by Hillman; but probably the greatest factor was the stand taken by Hart, Schaffner & Marx. The change certainly could not have come nearly so soon had it not been for their stand. Untold suffer- has been saved by the humane attitude taken by these manufac- turers. They are better financially and by reputation because of the unselfish and human stand they took. They treated the workmen fair and doubtless did it because they believed it was right rather than for mercenary advantages. They made poss- ible the great change when it took place and by their commen- dable dealings and their consequent prosperity serve as a shining example of the worthwhile harmony that can exist when the labor question is treated fairly by the employer.

## LABOR UNION VOLUNTARILY RECOGNIZED.

One of the most dramatic occurrences in the history of organized labor was the recent organizing of the A. Nash clothing manufacturing plant of Cincinnati. Mr. Nash's plant has long been known as the "Golden Rule" clothing factory. It is known that the workers were afforded a large latitude and degree of participation in actual government of the plant, but their exact status has not been publically described. Sidney Hillman, President of the Amalgamated Clothing Workers convinced Mr. Nash that it was of great interest to the other clothing workers and to the success of the union to organize the A. Nash Co. On December 8, 1935 Mr. Nash called his entire force together and asked them to join the union. This was an unprecedented thing, being the first time the head of a large concern appeared before his workers and requested, even urged, that they affiliate with organized labor. He arranged a mass meeting two days later at which Sidney Hillman spoke. Mr Hillman set forth the aims and purposes as being in harmony with the "Golden Rule" principles affirmed by Mr. Nash. He gave his word that no member of the Nash organization would be coerced into union membership. Mr. Nash guaranteed the right of the workers to reject the agreement with the Amalgamated if after trial they were not satisfied with it. Though some of the foremen and others had vigorously opposed the adoption when first hearing of it, after this mass meeting

it was adopted. The<sup>u</sup> preamble of the agreement reads as follows: "It is the expectation and intention of the parties to this agreement to achieve through its operation a state of industrial democracy in the factory and shop. Both parties will contribute without stint to impart a true dignity to labor, and to bestow on those who work a real and effective citizenship in industry, through which alone will it be possible to attain true citizenship in the community. It is the hope and belief of the parties to this agreement that their progress in achieving this end of a working democracy in industry can be so striking as to make it the example of all those who wish to follow!"

The agreement fixes a forty four hour week with extra pay for overtime, piece rates are to be determined by joint conference with the provision that readjustment of the general wage levels may be proposed annually by either party. The agreement also provides for the arbitration of disputes and an unemployment insurance plan. It has been signed for a duration of three years.

What a striking contrast between the unionizing of this plant and those of the Chicago Clothier's Association. In the former case the workers were already being treated fairly and did not desire a change for themselves but when shown that it was an essential thing to the best welfare of other clothing workers which are protected by the union, which in turn was greatly ~~strengthened~~ strengthened by the organization of the Nash workers, they assented. In the latter case the wage

earners had to fight their employers, except Hart, Schaffner & Marx, for every inch of gain they received, until finally through their combined strength and determination they won their better conditions. Yet the public was with the workers in this struggle, even though they realized that victory for them meant higher wages and therefore higher prices for clothes. Because of this sentiment it is doubtful <sup>if the</sup> Chicago Clothier's Association made any money by their cheap wage and their actions. The firms of A. Nash Co. and Hart, Schaffner & Marx are generally recognized for their fair dealings and their goods are preferred over those of like quality produced by their competitors. This is a recognition of their worthy methods. Looking at it from this ~~mer~~<sup>cen</sup>itary attitude they are doubtless ahead of their competitors in financial return over what they would have been had the labor troubles not arisen and received the just attention they did. Also the leaders of these firms must feel more at ease in the conscience knowing they did what they believed to be fair and not by trying to exploit others.

The A. Nash Co. situation is another welcome example to the list of better understandings and appreciation in industry. This time the incentive came from the management, and Mr. Nash has increased in the respect of his employees that he has enjoyed for a long time because of his willingness and fairness in cooperation in labor questions. The agreement affects several hundred workers and with the added strength it gives the union it is hoped it is destined to lead to a new and better day for the union and the A. Nash Co.

Thus we find an example of the cause of the employee receiving just recognition and being greatly aided by an employer. If all employers were like Mr. Nash there would be no need for labor unions for the fundamental basis is here recognized already and the worker does not need to make the employer have something to lose in order to be on an equal understanding basis with him. But in order to help bring about this relation the broadminded, farseeing man, Mr. Nash, has endeared himself to many workers by helping along their cause. He undoubtedly aided the Amalgamated because he thought it was a means to finally bring labor where its true position can be noted rather than because it works for labor in the battle with the employer. This action of Mr. Nash is extremely gratifying to all those who are looking to the coming of the real understanding that should exist in industry.



## PROFIT SHARING.

In the term "profit sharing" is often included arrangements which are not the genuine article in the last analysis, but rather are quasi-profit sharing plans. Together these systems form a much tried means of labor reward, some of which are quite important.

True profit sharing is "an agreement between an employer and his workpeople under which the latter receive, in addition to their wages, a share, fixed beforehand, in the profits of the undertaking". This means that before the start of a fiscal period the employer arranges with his workers that a certain percentage of the profits for the year be turned over to them, usually to any one individual in the ratio of his wages to the <sup>total</sup> wages of the group receiving the benefits of the plan. Thus a plan which gives a worker a certain percentage of his wages at the end of the year is not a profit sharing plan, but rather the company has withheld part of the man's earnings until the end of the year and then given it to him; though he would probably not get it unless the firm made a profit for the period, thus involving the profit idea. Other plans of offering stock of a company to employees at attractive rates gives ~~the~~ give the employees certain advantages over outsiders, but are not profit sharing schemes. In profit sharing some portion of the employees earnings are not fixed but they vary with the net earnings of the organization, not with total sales or any other factor. The employee receives the

going wage without the profit sharing which is in addition to the real value of his work.

The causes for profit sharing are the hope that the employees will take a greater interest in the business and will have an incentive to do better and more work, thus increasing efficiency and production, if they realize that they are actually to partake of the profits of the firm. In some cases it is an attempt to give the workers a portion of the profit that they made possible realizing that without them the profits would have been impossible, and that after all it is hard to evaluate the true worth of the efforts on pay day. This last reason is greatly in the minority of the causes of adoption.

For those employers with the first motive in mind the results, on the whole, have not<sup>wholly</sup> been gratifying as they apply to the laborer. There are several reasons for this. One is that the employees each share in it in proportion to their salary, the lazy man reaping the benefits as well as the ambitious if he works just hard enough to hold his position. As it is thus not a direct reward of individual effort it discourages incentive to a great degree. Another weakness is that the remuneration from such a plan comes only once a year, and so it tends to be regarded more as a gift than something that has been earned.

The worst difficulty, however, is the fact that the amount of profit depends only very slightly on an individual worker. Though, of course, it depends upon all the workers to an appreciable degree, this means little to a single workman who can

only control his own actions— and they are negligible to the final result. A single mistake of the management would more than counterbalance the economies or the increased effort of an individual laborer, and so he opines, "What's the use, what I do won't make any difference anyway".

The above paragraph indicates the place where purely profit sharing plans have their greatest and most appropriate application, to the management. The individual managers have a real influence on the aggregate profit and by their most diligent action they can materially increase the profit, and if they are to share in it they will naturally do all that they can to increase the profits. Managers are usually of a higher mental type and are often in a position to see the relative importance of their task in the final outcome. They can realize the benefits accruing to them through their efficient performance of duty even though the cold cash is not actually in hand until the end of the fiscal period. They can see concretely as the worker could not, the personal advantages to them of the plan.

The plan must be definite, that is the percentage of profit to go to the recipient must be predetermined before it is earned. Some cases are on record where the employer waited until the profits were determined and then gave an arbitrary portion to them. This manifestly, leads to suspicion and is of very questionable value.

The profit sharing plan is not a suggestion for a new order in industry. It presupposes the continuance of the wage

system as now known and merely proposes to supplement it by giving one of the essential factors in production a share of the fruits over and above the value they contribute for which they are adequately paid by the wage they received.

Profit sharing may be advantageous to general workers under certain special conditions. It may be effective in promoting efficiency when the measurement of "individual results" as for a bonus system is impracticable. Though subject to the general criticisms it may be of more importance here and function better than in the average case when it is hard to determine what each employee contributes to the combined whole. It may also function well where close supervision is impossible. Thus men may be influenced from wasting time etc., and may work more efficiently when they are not supervised closely and have a chance "to loaf", if they know they are cutting down the profits, a part of which they are to receive, by so doing. This knowledge may also serve as an impetus to eliminate the various forms of waste in an industry. Again this tendency is much more marked in the managerial <sup>employees</sup> than in the rank and file of labor.

Profit sharing plans may be designed to stabilize the labor market, and may be a real factor in keeping down the labor turnover, which is a bad thing for any industry. This tendency has been found in the investigations of the United States Bureau of Labor Statistics which in its report on "Profit Sharing in the United States" says: "all the informants without exception were of the opinion that the establishment of the

plans had a tendency to reduce the percentage turnover of their working organization". This is ~~an~~<sup>of</sup> appreciable worth and may be furthered by two principles in the plan, first an essential of all true profit sharing plans, the payment of the regular going rate of wage with the profit added on as a separate item, and second deferred payments. Employees are reluctant to leave if they lose participation in profits which they would receive by waiting. In one instance where Greek and Armenian workers leave the factory in the spring to be peddlers and return again ~~in~~ the fall to work, the loss of their share of the profits may more than counterbalance the extra money they make peddling, so they stay on, thus the plan stabilized the labor.

## PROFIT SHARING PLANS.

The plan of Sears Roebuck & Company of Chicago is interesting in this regard of deferred payments as well as because it is a pure profit sharing arrangement. Sears Roebuck & Company is one of the two standard and largest mail order houses in the country. By its plan the employees do not obtain any of the benefits of the profit sharing fund until seven years after they become eligible to participate. The company agrees to set aside five percent of the net earnings, without deduction of dividends to stockholders, to an Employee's Savings and Profit Sharing Fund. Any employee, after three years of service is eligible to participate by depositing five percent of his annual salary. The company's contribution of 5% of its profits will be credited pro rata to the employees in proportion which the amount deposited by each employee during the preceding year bears to the total amount deposited by all employees during such year. A depositor who has completed ten years of service with the company will be entitled to all money credited to his, or her, account including the company's contributions. A depositor who has not completed ten years of service will be entitled to withdraw only the amount he or she deposited plus interest at 5% compounded semi-annually. There are two exceptions to this rule. A woman depositor who, after five years service leaves to become married is entitled to her full share of the fund; and if a depositor dies his estate will be entitled to the full amount credited.

The service must be continuous, for it is provided that a depositor shall withdraw his accumulation upon ceasing to be an employee, and a depositor who once withdraws cannot re-enter the fund. The fund is managed by a board of five trustees, three to be officers or directors of the company and two employees. So far as seems advisable the fund will be invested in the stock of the company. According to the company's estimate, the amounts available for participating employees will be much larger than the amounts paid in by them. Basing the figures upon the profits of the year before the plan was instituted the estimates are as follows:

Estimate of Accumulation of Fund.

Based on earnings as of year ending Dec. 31, 1915, and of payroll as of July 1, 1916.

Annual payment by company.....	\$550,000.00
Annual payment by employees.....	287,406.00
	<u>837,406.00</u>

Effect on every dollar deposited by employees:

Payment by employee.....	\$ 1.00
Payment by company.....	<u>1.91</u>
	2.91

Employee receiving \$20 a week would have to his credit:

\$3428.45	after 15 years	of which	\$780	was paid in by employee
5253.67	"	20	"	"
7583.10	"	25	"	"
10556.24	"	30	"	"

In no case will any one employee be allowed to deposit more than \$150.00 per annum, so the higher salaried employees

may not share too largely in the fund. Participation shall be entirely voluntary.

Though this plan has a longer time limit from the time a profit is earned until it is paid, and it thus introduces a system of saving and prevents labor turnover to a large extent, it is nevertheless typical of a true profit sharing plan for all the employees. Other places where plans for all employees have functioned include: The A. W. Burritt Co., Bridgeport, Conn.; Simplex Wire and Cable Co., Cambridge, Mass.; Farr Alpaca Co., Holyoke, Mass.; Spencer Wire Co., Worcester, Mass.; Minneapolis Bedding Co.; National Carbon Co.; Cleveland, Ohio.

Then there is the special types of profit sharing plans which are applicable only to managerial employees, those eligible being limited either by position or salary. These plans may be for the payment of actual cash at the end of the year, which arrangement is on a truly profit sharing basis, or they may be for getting stock, often including clauses which allow the employees to purchase stock by monthly installments or some other attractive terms. Notable among the organizations offering such contracts are: The United States Rubber Co., New York; The Studebaker Corporation, South Bend, Ind.; The American Rolling Mill Co., Middletown, Ohio.; The Dennison Manufacturing Co., Framingham, Mass.; and the Youngstown (Ohio) Sheet and Tube Co.

The profit sharing system has been attempted as a means of payment of salesmen, but in general it has not proven as



satisfactory in this field as the more common methods of salary supplemented by a commission on the value of the goods sold.

The profit sharing plan may be combined with a stock ownership plan by, instead of giving cash as the employee's portion of the profit, giving him stock of equivalent value. For the average wage earner this is not as satisfactory unless the stock is readily marketable, so that he can realize cash from the stock if it is necessary or desirable. This method has the effect of increasing the company's liabilities in that there is more capital stock outstanding upon which to pay dividends. It has the advantage, however, as automatically working as a loss sharing plan, for if there is a bad year the employees holding stock will not participate to the extent of the usual interest rate on their accumulated holdings.

Like other profit sharing plans this is more applicable to managerial employees, especially ~~especially~~ if it is a new company just starting out, for two reasons. The first is that the stock is not so valuable to the wage earners for there is no <sup>ready</sup> sale for it; the second is that it gives those who have the most intimate control, and who form the destiny of the new company to a large extent, an added interest in the welfare of the organization.

As well as in strictly profit sharing plans, some companies give various bonuses of one kind or another in the form of stock. Many of these are a kind of donation and are given in a philanthropic manner; and so are not very popular with the

self-respecting employee who does not like this attitude of paternalism.

Some companies have arranged ways that their employees may purchase the stock of the company by installments taken from the monthly wage or contributed by the employees. Many of the largest corporations in the United States <sup>use</sup> this method by which the capital stock of the corporation may be purchased at par. The stock of these companies always sells at considerably above par on the public stock exchanges, so the opportunity afforded employees is distinctly advantageous. This stock does not fluctuate greatly and pays a good interest rate so the plan is in effect a combination of encouraging savings and giving an opportunity of investing the savings in a very advantageous manner, not open to the general public. The American Telephone and Telegraph Company, The Standard Oil Company, and The Southern California Edison Company are among the large firms granting this privilege to their workers.

It is not to be expected that at all the places where profit sharing plans have been tried that they have been successful. It would take an exhaustive study in the plants where it has not succeeded to determine the reason for failure. It may be that the plan was not applied well, was rather halfheartedly attempted and the workers faith was not received; it might be that the agreement was not definite; that the going wage was not received, calling the receipts from the plan part of the general wages. In certain cases where employers want their workers to feel that they are sharing in the profits of

the business without really getting much benefit or really doing it, the last method is that commonly adopted. There may be something inherent in the plan that does not appeal to certain types of workers. Whatever was the real basic cause of failure, plans were discontinued because: it did not satisfy employees, men went on strike, men prefer increase in pay, plan did not increase interest or efficiency of employees, and general upward trend of wages and competition. The last excuse, especially seems very weak as if given by some ~~some~~ money grabbing slave driver who saw it was costing him more to use the plan; in this instance it was apparently working. Firms where it was discontinued include: Rodgers, Peet Co., New York; Parsons Paper Co., Holyoke, Mass.; Wright and Potter Co., Boston, Mass.; C.G. Conn Co., Elkhart, Ind.; Saugerties Manufacturing Co., Saugerties, N.Y.; and the Washington ( D.C.) Railway and Electric Co.

From the standpoint of the employer the plan does not always meet with approval for though the employee shares in the profits, he is in no financial position to share in the losses; so while the employer shares his <sup>profits</sup> ~~losses~~ he stands all his losses himself.

While the amount of extra money received by the employee from the profits of the business is important, one of the things of greatest importance is the feeling or relation that exists between employer and employee when the profit sharing plan is in force. Commenting on this the United States Bureau of Labor Statistics in their bulletin entitled "Profit Sharing in

the United States" after examining the plans in operation, talking and writing to employers and employees say: "The consensus of opinion, almost unanimous, seems to be that the plans did have a very decided tendency to establish more satisfactory <sup>relations</sup> between employer and employee. This seems to be particularly true of the establishments where the profit sharing plans have been in operation for a considerable length of time. Under the influences of the plans employers report a sort of esprit de corps developed. The plans, they further say, make the employees realize that their employers are treating them fairly and squarely."

This last statement is the thing that brings out hope about the plan. Any arrangement that brings the hired and hirer closer together to accomplish their common task is decidedly worthwhile. When they each realize their position in society and their main duty as contrasted to their purely selfish motive, of "beating" the other and storing up wealth at the other's expense, civilization will see a brighter day in this old battlefield world of ours.

Another plan that has some of the earmarks of a profit-sharing agreement, without all of the essentials, is that of the Ford Motor Company. Henry Ford desires to improve the standard of living and the living conditions of the employees <sup>rather</sup> than test any economic or social theory.

Bonus payments are given employees according to the class of work the employees do. These bonuses represent a portion of the profit and as such may be termed profit sharing <sup>payments.</sup> ~~agreements.~~

The first six months an individual works he receives only the regular wage that his service entitles him to. After this period the following types of employees may become profit sharers:

1. Married men living with and taking good care of their families. 2. All single men twenty two years of age and over of proven thrifty habits. 3. All single men under twenty two years of age who are the sole support of next of kin or blood relation. Girls are eligible as profit sharers only when the sole support of some next of kin or blood relation. A detailed investigation is made before any benefits are granted the employee. If the personal habits, character, etc., are deemed satisfactory they may participate. The profit sharing is inversely proportional to the wage. The lowest paid worker, 34¢ an hour gets the highest benefit, 28½¢ an hour, making a total of 62½¢ an hour or \$6.00 a day. The highest paid worker 86¢ an hour gets 7¾¢ an hour additional or 93¾¢ an hour, amounting to \$7.50 a day.

After the profit sharing is started the investigations are continued to insure proper use of the money; pointing out the evils of intemperance etc., and the benefits of life insurance, bank accounts, etc. If the employee abuses this privilege he may be discharged entirely or laid off as a profit sharer.

The results of the operation of the plan have been very satisfactory. Bank accounts, life insurance, owned houses and lots, increased very decidedly in only a short time. Contracts

for purchase of real estate also multiplied. Following the adoption of the plan business conditions also improved. Greater output was reached and the labor turnover diminished materially. This appears as merely incidental to Mr. Ford's humanitarian purposes of trying the plan, which has benefitted and had a wholesome influence on thousands of American citizens. He gives the profit in an increase in hourly recompense ~~and~~ ~~is given~~, and it is given as wages rather than giving it all in a lump sum at the end of the year. This has a very beneficial effect upon the recipients. It also tends to raise the general wage level in the community, which is beneficial to labor as a whole.

There is a tendency among certain firms to provide protection to workers against contingencies that they cannot prevent or provide against themselves. Such things as sickness, accident, old age, death, and even unemployment are insured against out of profits by certain employers with humanitarian purposes. Though this practice is anything but common, it nevertheless indicates a tendency that was unheard of a few years ago. Any time an employer really is concerned over the conditions of his workers it throws a ray of hope on the whole industrial problem as we have it now.

## CONFERENCE.

The Loyal Legion of Loggers and Lumbermen is an organization of both employees and employers in the Pacific northwest, that is in Washington, Oregon and Idaho. It is similar to the old guilds in that all engaged in an industry belong to the organization. It is commonly known as the 4L.

The Industrial Workers of the World had control of a large number of the lumber workers previous to the war. The membership of the I.W.W. is made up mostly of transient laborers, or hobos, who do not stay in one place, but migrate from job to job and industry to industry. This group adheres to more or less communistic doctrines, does not believe in personal property and ~~is~~<sup>is</sup> quite opposed to the existing order.

When the war was in progress the I.W.W. took advantage of the opportunity to force their point. A great deal of lumber was needed for aeroplane construction and the building of army camps. The I.W.W. struck as did the labor unions, against some of the bad conditions in the industry, to reduce hours from ten to eight, and for more pay. These requests were only partially met, the employers forming a strong association and being quite successful in maintaining their stand because the union, weak though it was, and the I.W.W. would not work together.

The labor union and the I.W.W. started to cooperate with each other and conditions grew worse. Then the 1917 strike was launched and the I.W.W. adopted the method of "striking on

the job". They would stay at their work but would do everything they could to limit production. In one instance the normal output was about fifty cars of logs per day. Demands from the I.W.W. for better surroundings were presented and refused. Then production started to fall off at the rate of about five cars a day. When the total output was finally lowered to five cars a day their demands were granted.

The "strike on the job" tactics so interfered with output that the government sent officials to the area to get the material needed for aeroplanes. One man sent was Col. Price P. Disque. He saw that a patriotic influence was needed to counteract the influence of the I.W.W. After a consultation with employers he started the Loyal Legion of Loggers and Lumbermen, and by appealing to patriotic impulses the organization was successful. In the first month the membership rose to ten thousand, and to thirty five thousand the next month. Conscripted and enlisted soldiers were sent to work in the forests, too, to replace the lumbermen who had joined the army. The first official action of the 4L was to establish the eight hour day, one of the long standing points of difference.

During the war the organization flourished. Spurred on by the patriotic considerations the total membership grew to over a hundred thousand men. But with the closing of the war and the taking away of the patriotic incentive the question of the future of the 4L was brought up. After the experience of both employer and employee of dealing with each other at



the joint conference afforded, both groups were in favor of continuing this organization in time of peace. The general principles upon which the new 4L is based as found in its constitution: 1. That those directly concerned in any industry are in a better position to solve its problems than disinterested parties. 2. That maximum results cannot be obtained in any industry without due consideration being given to all parties contributing to its development. 3. That great economic loss caused through labor turnovers, strikes, lockouts, and walkouts is unnecessary and can be avoided. 4. That if prosperity in any industry is to be attained, mutual distrust must be replaced by mutual understanding and cooperation.

The objects which the 4L sought to accomplish includes:

1. To provide an organization on the basic principle of the square deal in which both employer and employee are eligible for membership and meet on common ground.
2. To insure to the workmen a just and equitable wage and to the employer a maximum degree of efficiency.
3. To maintain the basic eight hour day.
4. To standardize working and living conditions in camps and mills.
5. To create a community spirit in the promotion of matters pertaining to public welfare in each locality.
6. To encourage, when and where it is found feasible, cooperative hospitals for the care of the sick and injured, and medical attention to the families of members.
7. To provide means for an amicable <sup>settlement</sup> on an equitable basis, of all differences that may arise between employer and employee.
8. To promote a closer personal relationship and the spirit of loyalty between the

employers, their representatives, and the employees. 2. to provide methods of informing its members on all questions of trade interest to operators and workmen.

The organization form is similar to a union, with local branches at various places, each with a chairman<sup>and</sup> each governed by the same principles. Each local has the usual officers and each is represented in the district meetings according to the membership in the local. Col. Disque remained as chairman of the whole organization. A 4L bulletin was published to keep all informed of activities etc. As a guaranty<sup>n</sup> of good faith employer members were required to put up a bond of \$2,50 for each man they employed, with a \$100 minimum. If the employer refused to obey the regulations of the governing board he was subject to fine, forfeiture of bond, or both.

The 4L inherited a great deal of opposition from the trade union, the I.W.W. and employers not in sympathy with the war time 4L control. Some employers would not support it because of: opposition to the principles of collective bargaining, opposition to a minimum wage, and a desire to lengthen the working day and break down the standards of living and working conditions. The 4L fights the unfair employer just as much as the unfair employee. It stands very strongly for a minimum wage and sees that this is enforced.

The 4L is based upon the principles of conferences between the employer and employee. The usual system is that the conference committee meets with the employer at frequent intervals whether any grievances are to be settled or not, that the

employer should attend all meetings of the local. The regular attendance of the employers at these meetings has done much to keep the 4L functioning, instances being on record of disintegration when the employer ceased attending the meetings. There is a growing feeling that nothing should be done unless brought up in conference; one crew refused a raise in wages because it was "given" by the employer rather than being decided in conference.

The idea of a joint conference rather than arbitration has some distinct advantages. Of course, there is a possibility that such a conference would not result in a good decision, yet in the history of the 4L it has been quite satisfactory. If it fails the question is left to the executive committee of the 4L rather than <sup>to</sup> some outside arbitrator. Arbitration works alright in some cases and often settles things so they can continue, but in the last analysis it is anything but a perfect means. Sidney and Beatrice Webb in their classic, Industrial Democracy say "The essential feature of arbitration as a means of determining the condition of employment is that the decision is not the will of either party or the outcome of negotiation between them, but the fiat of an umpire or arbitrator...their refusal to accept the decision or their ceasing to obey it, even if they promise to do so, carries with it no coercive sanction".

The United States Department of Labor, Bureau of Labor Statistics, have made a study of this problem in their book "Industrial Relations in the West Coast Lumber Industry" by

Clarence R. Howd. He goes into the whole situation in detail. In this book he says "It has frequently happened in the past, when the employer believed that he could always cut costs by cutting wages, that he has not hesitated to cut prices, sometimes even in competition of another plant of the same company, or with his own sales agency. It seems to be generally felt, since the 4L is holding wages more stable, that price cutting is less safe than formerly!"

Commenting upon the merits of the plan the book says: "Present industrial tendencies are in the direction of a larger participation of the employees in the control of industry, toward a fuller measure of industrial democracy. Before this can go very far each side must learn to play fair and to trust the other to do the same. Each side is learning, however, to trust the other and is finding that part of the trouble all along has been this mutual suspicion. Both sides are ~~beginning~~ discovering that justice pays and are beginning to try it out. As they get better acquainted each side finds the other to be better than it ~~thought~~ and trust helps to produce trustworthiness. It is probably the chief merit of the 4L that it is replacing suspicion and hatred with mutual trust and goodwill.

## WORKERS' INHERITANCE.

A unique instance of industrial organization exists at the American Cast Iron Pipe Company, abbreviated and known as Acipco, of Birmingham, Alabama. As the name indicates the company is engaged in the manufacture of pipe and pipe fittings. There are about 1500 employees.

The company was formerly owned by John J. Eagan. He was always very much interested in industrial relations, becoming more so toward the end of his life. Mr. Eagan was educated in the public schools and upon graduation became associated with his uncle, William A. Russell. Upon the latter's death, Mr. Eagan at the age of 29 inherited his uncle's<sup>e's</sup> fortune, causing him to be interested in many business projects. In 1905 he became interested in Acipco. He was president of the company until 1915 when he became chairman of the board of directors. He died March 30, 1924.

During the course of his life he gave much money and thought to various social undertakings as schools for underprivileged children, assistance to private distressed individuals, etc.

Because of his attitude concerning sociological problems the conditions at Acipco were always very liberal. Upon his death he left his shares of common stock in the company to the workers, to be theirs as long as they remained workers. In the codicil to the will he gave the general stipulations under which the company should be governed. The success of

this organization has been marked, in spite of the fact that the problem is rendered more difficult because of the racial complications introduced by the presence of both white and colored labor.

The plan of the company is based on three principles: 1. the four groups of employees, management, owners, and public; though the personnel of group three is the same as that of group one and two; should share responsibility for failure or success in the operation of the business. 2. Therefore these four groups should share knowledge of the company's affairs. 3. Finally these four groups should share profits and losses.

The general policies and conduct of the business is regulated by the board of directors. It is composed of representatives of the four groups given above. It functions just as does a board of directors chosen by the stockholders of a corporation. The members of the board of directors are elected annually by the board of trustees. The board of trustees is composed of the board of operatives (elected by the employees) and the board of management (elected by the board of directors). The trustees vote on a question as two separate units and if the votes do not agree the question at hand passes to the board of directors for final decision by majority vote. Meetings of this latter board are held once a month.

The active control of the business is vested in the board of management, a group chosen because they are highly efficient in the various branches of industrial activity. The board of operatives is composed of ten men elected by the

working people. It is to serve as a means of cooperation between management and employees; render suggestions and be able to answer questions of workers about the business, giving accurate information.

The plan attempts to include Christian principles in the conduct of the business. This it takes to mean, primarily, a reasonable living wage to the lowest paid workman; regular employment to every member of the organization; and application of the Golden Rule to relations between the company as producer and the public as consumer. To be able to accomplish these first two motives the company sees it necessary that in such years as the business is operated ~~a~~ <sup>for</sup> profit some preparation must be made for those years when it will operate without profit.

The main advantages of the plan to employees are the attempt at fair treatment, a pension fund, a stock purchasing plan, a mutual benefit association providing accident, health and life insurance, special provision for education and general better conditions than is found in the average modern factory.

The premium fund is given to protect the employees in old age. From data compiled by one of the large life insurance companies <sup>is</sup> ~~they~~ learned that out of a hundred <sup>men</sup> ~~cases~~ <sup>people</sup> at the age of 25, when they are 65, 1 will be rich, 4 will be wealthy, 5 will be self supporting, 35 will be dead, and 55 will be dependent upon relatives or charity. The truth represented by these figures is alarming. The pension fund is an attempt to keep any of the employees from being listed with the 55. The fund amounted to \$347,429.49 on December 31, 1934. It attempts

to remedy conditions by paying to the following: 1. All men who have been 20 years or longer in the service of the company and have reached the age of 70 years (or for women 60). 2. All men who have been 25 years or longer in the service of the company and have reached the age of 80 years (or for women 50). 3. Any man or woman who has been 15 years or longer in the service of the company and has been permanently incapacitated for service in any department. Subject to the provision of the pension fund these pensions are made on the following basis: For every year of service, 2% of the average regular monthly wages received during the last ten years of service. Illustration: An employee who has been 25 years in the service and has received an average regular monthly pay of \$100, will receive a pension allowance of 50% of \$100, or \$50 each month.

Mr. Fagan owned all the common stock of the company and he bequeathed it to the employees. That is he left it in trust to be held jointly by them, and the returns from the same to be given them to insure each worker "a living wage"; the trustees to be sole judges of what constitutes a living wage. When a worker dies or leaves the employ of the company for cause other than temporary shutting down of the plant they thereby forfeit their interest in the common stock or to dividends therefrom, while all new employees come under the benefits of the arrangement.

Preferred stock is offered the employees, only, at attractive rates these being more liberal as length of service with the company increases. They can be bought so the dividend on



the investment yields from 8% to 9%; they can be redeemed at any time; the company helps pay for them; they may be purchased outright for cash or by installments; it is a method of savings as well as of investment.

Other distinctive advantages afforded employees include a library, evening classes for teaching of the rudiments of education, medical and dental service, a free picture show for the colored employees of weekly runs showing good pictures, a newspaper, and a cooperative store selling staples at cost plus cost of selling. The company owns homes for colored people which are perhaps the most ~~the most~~ comfortable and up to date of any in Birmingham. These are sold or rented to employees at cheaper rates than can be obtained elsewhere in the city.

Every employee is a member of the ~~Acipco~~ Acipco Mutual Benefit Association, and as such receives benefits: if sick, if disabled by accident, in case of death, in case of death of one's wife or child. After six months service the following additional benefits: 1. If a member, or any one dependent upon him or her is confined in a hospital. 2. The cost of operating room, ether, surgical dressings, and medicine used in hospital. 3. One half the expenses of gas anesthetics used at hospital. 4 One half of the expense of a specialist's fee with certain limitations, for treating a member or those dependent upon him.

The funds for this are taken from the profits of the business and provide the insurance indicated. Of course, only employees of the company are eligible. The affairs are controlled

by a board of trustees elected from among the membership of the association, and as one of these trustees is in all probability acquainted with an applicant for benefit, the benefits are in the hands of the claimant's friends. The purpose of the association is to help a person when he is sick or injured. The amount of service this association does is indicated by the fact that its monthly expenditures are often \$2,000.00 or more.

This company is another instance of an attempt to better conditions of laborers and give them what it seems they justly deserve. With prosperity such as the company has enjoyed, Mr. Eagan provided for the welfare of all employees by leaving them the common stock. The returns from this may be used to supplement low wages and give everyone a living wage. This situation, complicated by the racial differences, has been due to Mr. Eagan's desire for better understanding in industry. Had he followed the lines of the usual capitalist he would have left the ownership of the business to his wife and children; but as they were already amply provided for, he took this means of contributing his "bit" to the solution of industrial problems. Only time will tell of its success but it seems to have passed its first two years very satisfactorily. It is based on unique and liberal grounds, so its future will be interesting.

## A TRUE INDUSTRIAL DEMOCRACY.

A true industrial democracy has evolved at the Columbia Conserve Company of Indianapolis, Indiana. It took seven years for the democracy as it applies to the control of the business to pass from the usual order of manager and capitalistic owner to the workers. The whole change was made possible only through the actions, personality, and confidence of Mr. William P. Hapgood, former president and principle owner.

The business was organized in 1903 and ran until 1917 without paying its owners the current rate of interest. Mr. Hapgood, a graduate of Harvard, was always interested in labor questions and policies. As his business was not paying and he had confidence in human nature he determined to devote the rest of his life and his fortune to an experiment in industrial democracy. He realized that any such a program could not be started all at once, but that it must be inaugurated by degrees.

The essential changes he had in mind were 1. the substitution of salaries for wages. 2. A system of profit sharing; and 3. provision for an increasing and ultimately complete control of the concern by those directly engaged in production rather than absentee stock holders. Of these three aims the third will be traced first to provide a better basis to understand the others and the company's operation.

In the beginning the factory workers elected a factory committee of ten, while a committee of three members served for the office force. Each committee could meet separately and also jointly, and in both cases a majority vote controlled. No subject pertaining to the factory was barred from discussion. These committees were advisory in character at first because Mr. Hapgood was given the power of veto.

As time went on the workers were gradually given more power and the former management less. Later any worker was admitted as a voting member to the factory council after he had attended eight consecutive meetings and was kept a member unless <sup>he missed</sup> two consecutive meetings without an excuse. Mr. Hapgood's power of veto was revoked. This restriction of attending meetings was later eliminated and now any employee can attend council meetings and vote. The only precaution against hasty decisions, or the only check on this council, to which all employees may come and each have an equal vote, is a provision that "any time those members who have served a year or more think that a vote is unwise because of inexperienced members of the council, he may call for a new vote in which case those who have attended council less than a year may not vote". This power has only been exercised once.

The workers in the factory when the plan was started were not an especially educated or intelligent group. They were average for the canning industry. Few had finished grammar school and less than five had completed high school. After this slow passing of responsibility to them they acquired much

economic information and many ideas of practical business. They now are, as a whole, remarkably keen about affairs of the business and pass good judgement about its future policies. They are anxious to learn more in all fields after having tried their hands at actual management and have engaged a man to work with them by day and teach them by night. This action came entirely from the workers in an effort to be better informed; and able to deal more intelligently with the questions that face them.

This council functions as it was previously conceived by considering and passing on all matters pertaining to the factory. It regulates all salaries, working hours and conditions, hires and fires, in fact does all things essential to the business. Of course some of the details are done by committees appointed by the council. The council meets every two weeks with an average attendance of 35. The total number of employees in the factory varies from about 110 in the "off" season to 250 in the "busy" season.

Besides the council meetings regular monthly meetings of the whole force are held on company time, where everyone is urged to offer complaints or suggestions. Also an annual employees dinner is held when a detailed analysis is made of the company's financial and economic record during the preceding year. By the various means all those workers are kept informed of the financial position of the company and are urged to participate in solving its difficulties. At first the subject considered by the council was the relatively simple one

of wealfare, but they quickly considered hours and wages. Later they discussed such major problems of marketing, purchasing, selling and financing that are peculiar to their company.

During the general depression and break in prices in 1920 and 1921 the workers understood the situation thoroughly. Realizing the conditions were only temporary, they worked as hard and as confidently as ever even though no profits were realized in this period. Their faith was again tested in 1923 when due to losses on the farm the company as a whole did not make a profit. Again they proved their confidence by working harder in order to show a credit balance in 1924, which they did.

All workers who are judged worthy by their fellowworkers are paid on a salary basis ~~and~~, being given a regular weekly amount regardless of the time they work. The council places individuals in different groups and it recognizes and sets the salary for each group. If the services of a worker are satisfactory and his fellows desire to keep him he is assured a yearly income and employment. This relieves him from the worry of unemployment that constantly harasses the great mass of manual workers. A few employees hired for a limited time during the rush season are paid daily wages in the old manner.

The general wage level has been constantly rising and is now above that paid by other factories in the vicinity. This rise has been especially noticeable in the lower paid groups, their wage level having increased by 70% to 100% of 1917 rate

by 1924. Higher paid groups also increased but not to such a great extent.

By the profit sharing arrangement, after all expenses are paid, the residual fund is divided among the salary and wage earners and stockholders in the proportion that their salary or dividend bears to the total salary, wages and dividends. **Those** who received wages were either transients who were gone at the end of the year or were temporary workers deemed unworthy to share in the profit sharing. The proportion of the profit represented by the fraction of wages to salaries, wages and dividends is placed in a fund under control of the workers known as the "undistributed payroll dividend". It is to be used to pay for absences on account of sickness, disability, etc.

The employees were to receive their profits in the form, of stock convertible into cash. This has been altered by the council as business conditions of the company vary from year to year. Sometimes limits were set as to amount and times of conversion; while at others the whole profit was distributed as cash.

A further restriction has been made that if a person leave the employ of the company he is paid in cash for his stock and cannot take it with him. The plan is that ultimately the workers will have acquired all the stock, will get the dividends on their stock and a portion of the business' profits on both their dividend and also their salary; and they will also be managing the business! The business will be a self contained unit, then, with the stock holders, workers and managers all

in one group of men. The provision of a worker having to sell his stock when he leaves is, of course, necessary. Other-<sup>wise</sup> the men who work there now would be the only ones benefitted; they would get their stock as profits and when they left they would get the dividends from it. This would merely substitute the present workers for the present stock holders and in years to come after the present workers quit work the new ones would have the same status as any worker in industry and nothing would be gained. The ownership of the stock must be kept with the workers in the business.

This plan does away with the main defects that were found in considering the profit sharing plans— namely that they were better adopted to management than to the normal worker. Here these are one and the same people. The control or managing part of the plan is functioning very well. With the combined incentive of reaping part of the profits and being able to really determine policies the workers have taken a sincere interest in the work of the business, and have affected several reforms that <sup>have</sup> had no small part to play in the success of the concern.

The canning business is by nature seasonal. Catsup is one of the principle things made by the Columbia Conserve Co. and of course this must be made in the few weeks that the perishable tomatoes are ready for use. As tomatoes and most things ripen at about the same time labor was at a premium at this period, being hard to get and highly paid; while during a large part of the year there were many canning workers for every job.



In the Columbia Conserve Co. the workers work very hard and long hours at this time of year and make up for it by short hours in the dull season. Working on a salary basis their pay is the same all the time and they are assured of the yearly job.

They have also experimented with the canning of other products which could be put up in the dull season. By this experimenting they have developed means of canning such difficult things as chili con carne, chop suey and chicken a la king, which can be done in the otherwise slack times. This instance gives an example of the increased interest shown by the workers in the efficient running of the plant. Other instances could be cited of bettering methods of production, rearranging appliances in the plant and simple inventions that have materially helped.

The workers are really seeing their tasks in reference to their proper relation to the community as a whole. Paul H. Douglas, Professor of Industrial Relations at the University of Chicago, recently made a comprehensive study of the conditions of the company; visited the plant and attended several council meetings. He wrote his findings in a fascinating manner in a sixty page paper-bound book entitled "The Columbia Conserve Company, a unique experiment in industrial democracy". On page 35 of this book we find the following: "In conjunction with the sales committee (of the council), it has fixed the prices at which goods are to be sold. It is their feeling that the company owes a debt to the consuming public

as well as to its employees, so that recently, after a very successful year, it lowered its price to the wholesalers on several commodities below the competitive level. While this may seem like mere transferring profits from their pockets to those of the wholesalers, without benefitting the public, the council believes that competition between wholesalers will force them to pass on most of these gains to the retailers and that competition among the latter will in turn result in the consumers getting their canned goods at a lower price. They are more and more concerning themselves with what a "fair" rate of profit actually is, and what is the maximum percentage which they should make on any one product and for the plant as a whole". This is the most encouraging thing I have found in my reading about the subject. It shows a sincere desire on the part of the workers to do their duty for society and is in striking contrast to those who want to get all they can for themselves no matter about others — the general attitude of today.

The experiment is so interesting to me and seems so successful that I would like to include here the whole book to show the organization and successes. This is impossible and not in keeping with the purposes of this paper; yet I do not believe time could be more profitably or interestingly spent than in reading it.

The question naturally arises <sup>as</sup> to the universal adaptability of this organization and whether it has been successful because of certain special conditions. Four reasons are suggested why

it has succeeded so well here and might not be ~~so~~<sup>so</sup> well applied to industry generally. These are: (1) the personality of Mr. Hapgood, himself, (2) the intelligence of the working force, (3) the moderate size of the business, (4) the non-union character of the industry.

Undoubtedly the success would have been impossible had it not been for the personality, faith and patience of Mr. Hapgood. With this serving as an example it is very probable that there are other honest, trusting owners who are broad-minded enough to do the same thing Mr. Hapgood has done. The intelligence of the working force has already been treated showing that they were average. One thing in their favor, however is that they were all of English or Nordic extraction and so there was no room for racial prejudice to appear. Their mind is being broadened on this point as well as others due to the system under which they are working. The workers have permitted two Chinese students to work there one summer in order that they could take the things they learned back to China.

The small size of the business is, of course, a factor in favor of the operation of the plan. It brings all workers into close contact. It is probable that means could be worked out that would make the system applicable to a large business. This question is borrowing trouble, however, for in 1918 99% per cent of the concerns of the country employing 60% of the wage earners were plants of less than 500 workers. This gives a large field to start in.

Indianapolis is an "open shop" city and the canning workers

as a whole, are unorganized. A plan such as this has a better chance where the artificial barriers of capital and labor are not constantly being recalled and magnified. The unions have been brought into existence and have flourished because the distrust of the employers was justified. They have learned by bitter experience to look with suspicion upon new plans. Where the employer is really sincere, an essential to the use of Mr. Hapgood's plan, the employee will find it out and the union should prove no hindrance, it no longer being needed in that particular organization. Mr. Hapgood has faith that that with sincere actions by the owners the union would not be harmed. To again quote from the book: " Mr. Hapgood believes that the management's willingness to deal with the unions is the acid test of its sincerity. That his faith in the fundamental decency of unionism is not merely platonic is evidenced by a number of acts. Thus largely at his solicitation representatives of organized labor were invited to attend meetings of the council and to emphasize the obligation upon the employees to help their fellow workers in other plants. This appeal made a very real impresson upon the group, and they are seriously considering some way in which they can link themselves up with the organized labor movement provided that they are properly safe guarded upon not being ordered out on sympathetic strikes. The plant, moreover, has taken union leaders in other industries into its employ, while Mr. Hapgood's <sup>son</sup> served as a union organizer during the coal strike of 1922.

"Mr. Hapgood is not concerned merely with reaching a happier solution of the trying industrial problems of the day in his small plant alone, but his basic wish is to have others make a similar venture and thus to build within the confines of the old order the institutions and ideal of the new."

## CONCLUSIONS.

From the reading of the subject of industrial democracy, including an examination into the usual forms of wage payment and industry control as well as the more interesting and advanced forms, it appears that a beginning<sup>ing</sup> is being made to a true understanding of the situation.

Human relations are constantly becoming more and more interdependent. The last few years have witnessed the rapid growth of corporation ownership and the losing of control by individual owners. With this interrelation has appeared a realization of the fact that laborers are not merely cogs in the wheel, but that they are human beings as well, ~~and~~ and as such should be treated as human beings.

Capital and labor are both working at production so that society can be more comfortable and better provided for. It is not my purpose to go into a discourse as to why society should be better provided for, or what the ultimate end is and why, what leisure and happiness are and why they are desirable or not desirable. It seems to me that things should be produced where they can be produced the best and cheapest so that the most people can have them. This would lead to a state of better distribution than at present, and having the things of life people should be able to enjoy life more. By the very inherent nature of the plan the people who produce the goods, if working for society, are working at a common task and therefore should

cooperate. At present this is anything but the case, each party looking to the eternal ego first and taking all he can for himself. After all we as a race are not far removed from the beast. We have alot of the animal instinct left in us and we go by the law of the survival of the fittest(greediest). In the future humans will probably look back at our civilization of today and burst out in derisive laughter at our utter stupidity. The relations will appear clear to them and they will see strikes and the gap between capital and labor as it now exists as utter folly. We profited by the mistakes of our ancestors and we hope the future generations will profit by ours.

An employer and employee are partners working at an identical task, the serving of society, just as are a purchaser and a seller working at the same task. This truth is not recognized because the employer would rather not recognize it and the employee cannot practice it even if he did realize it. Employees have combined into unions so they can meet employers on an equal basis. The union itself works for the sole interest of labor at the expense of capital, but it may be the tool that will finally bring out the true relation; for the employer will be no longer able to exploit labor and profit tremendously by so doing; so he will probably be willing to cooperate with labor. Sincerity is the thing that is needed in industrial relations.

The popular mind may class Mr. Nash, Mr. Eagan, and Mr. Hapgood as fools. Christopher Columbus and Robert Fulton were also called fools ---- until they succeeded. These men may not

be doing the classic thing in industry, but it seems after an examination of the whole problem, that they are working in the right direction. Civilization may not be yet ready to put their principles into practice, but some such relation will surely come to exist.

The tendency as shown by the examples in the other chapters of this paper and the fact of greater inter-relation of humans indicates the change that we may expect. The evolution is inevitable. It is a slow process of getting away from the old idea of eternal warfare between employer and employee, two arbitrary groups. Everywhere the idea of what is fair is being considered more and more. This is shown by the development of profit sharing, by the 4L, Mr. Nash, Mr. Eagan,<sup>and</sup> Mr. Hapgood. Though it may be a long time before the principles of these far-seeing pioneers are universally adopted; it is very significant that their ideas and plans are not merely theories, but are working successfully in industry today. It is greatly to be hoped that this is the dawning of a brighter day for industrial relations — industrial democracy.