Practical Co-operation Between Employers and Employees

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PRACTICAL CO-OPERATION BETWEEN EMPLOYERS AND EMPLOYEES

BY

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THIS IS TO CERTIFY THAT THE THESIS PREPARED UNDER MY SUPERVISION BY

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IS APPROVED BY ME AS FULFILLING THIS PART OF THE REQUIREMENTS FOR THE DEGREE OF Bachelor of Arts in Business Administration.

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PRACTICAL CO-OPERATION BETWEEN EMPLOYERS
AND EMPLOYEES.

I. INTRODUCTION.

It is a well recognized fact that the means of improving our industrial conditions have not kept pace with their constantly increasing complexity. The amount of business has grown rapidly; its character has been changed materially; its organization has been subject to much legal discussion and criticism; its methods have given rise to certain ethical principles. The problem of finding out what has been taking place on the social side is to be considered here.

It is the purpose of this thesis to show some of the ways in which employers and employees, or capital, management, and labor have been brought into closer relationship. The term co-operation has been chosen to express its relationship. First of all the term, as it is to be used in this discussion, will be explained, with a short treatment of its history and development. The theme proper divides itself into three main parts:

1. Managerial co-operation.
2. Profit-sharing and Co-partnership.
3. Prosperity-sharing.

These will be taken up and discussed in the order named. In each case the theory will be followed by concrete examples which have proved successful. There are points at which these main divisions overlap, but the method used is the best for the purposes mentioned.

The material has been gathered from books, magazine articles
and bulletins on the subject of co-operation in its different phases. A number of manufacturing concerns contributed first hand information regarding their systems. These have been of great value.
II. A DEFINITION OF TERMS

Co-operation is not a new conception which needs to apologize for its novelty. The ideas of Plato B. C. 430, Christ who marked the beginning of a new era, Sir Thomas Moore 1430, Bacon 1561, Campanella 1568, and Harrington 1611 all were co-operative in spirit. There is scarcely any field of human activity that has not been affected by this spirit of co-operation. We find it among all classes of people. This discussion is limited to that existing between employers and employees.

Robert Owen 1771-1858, the English founder of co-operation, might well be called the father as it is found today. It was in his shops that the idea of co-operating with the laborers began. He aided communities in which he came in contact. His influence led to the establishment of the Co-operation Societies so common in England. It is there that co-operation has made the greatest strides. The meaning of the term co-operation and the sense in which it is to be used will now be made clear.

"United to Relieve, Not Combined to Injure," states in the fewest possible words the province of co-operation. Both the trusts and co-operative systems reduce expenses, but co-operation pays the profits in dividends on labor; the trust pays profits in dividends on capital. The trust puts monopoly in the place of competition. Co-operation should be substituted for competition.

Holyoake has defined co-operation as an industrial scheme for delivering the public from the conspiracy of capitalists, traders, or manufacturers, who would make the laborers work for the least and the consumer pay the most for whatever he needs of
money, machines, or merchandise.

Co-operation is not a scheme whereby a few visionary enthusiasts can reform the world. It is not a new plan of transacting business, but rather a different method of dividing the fruits of industry - the fruits going to labor rather than to capital. Industry, application, perserverance, and good judgment are all requisites in the co-operative system. Co-operation, as we use the term, is largely a matter of business, hence, secret organization is not at all necessary; where, however, these organizations are efficiently managed and controlled they may be a great help in unifying the purpose and arousing interest.

Some of the more important advantages of co-operation may be summed up as follows:

1. The greatest advantage is that it enables "the common people" - as Abraham Lincoln used the term - to help themselves.

2. It promotes thrift, mortality neighborliness, kindness, courtesy, intelligence, self-thinking, and good citizenship.

3. It pays labor fairly, adds to savings, and yields a reasonable hire to capital.

4. Because of its fairness and open-handedness it causes no disturbance in society.

5. It is equity in business and makes equity pay.

From Holyoake: "What an enduring truce is to war, co-operation is to the never ceasing conflict between Labor and Capital - it is the Peace of Industry".

Co-operation has an important function as an educator. As far as it teaches men about the responsibilities and use of
property, it has a most powerful influence for good upon them and the community. As far as it leads them to become possessors of property, the result is still more noticeable. "It is not as a machine, but as an educational force, that co-operation seems to promise success—not because it will enable leaders of labor to become leaders of industry, but because as soon as those leaders are tried in the latter capacity they are subjected to a test which only the fittest can survive.

Practically the name is applied to:

1. An arrangement by which the consumers manage the business and divide the profits—distributive co-operation.

2. An arrangement by which the employees choose those who are to manage the business—productive co-operation.

3. An arrangement by which the employees participate in the profits of the business—profit-sharing.

The success or failure of an experiment in distributive co-operation plainly rests on the efficiency with which it is managed. Certain wastes of competition are eliminated. The cases of productive co-operation and profit-sharing are more complicated. The dangers of permitting people to manage their own affairs are apparent.

"English co-operation is a system of commerce and industry consisting of societies of working people in which the business profits of a store are given to the purchasers and the profits of the workshop to the workers. The division of profit in the store is made according to the amount of custom and in the workshop according to the amount of wages". We are concerned only
with the latter. From Holyoake: "Co-operation is an invention for acquiring money without saving it, or working for it, or stealing it, or borrowing it, or begging it".
III. MANAGERIAL CO-OPERATION

Definitions of co-operation have been formulated in their various forms. The limits of this discussion and the plan has been outlined. The first of the main parts, Managerial Co-operation, will now be discussed.

By Managerial Co-operation is meant that the complete ownership and management of a concern by the employees. The social-istic element in such a scheme is very prevalent. Such organizations in distribution are very common especially in England, but few of them are found in the field of production. A notable example of this form of co-operation is the Carl Zeiss Works. A description of this industrial organization will make the principle clear.

(A Factory that owns Itself)

The old town of Jena in South Germany contains the famous Carl Zeiss Works, where the science of co-operation and the philosophy of human brotherhood are being practiced and proved as a by-product of optical instrument manufacture.

A short history of this plant would make the point in hand clearer. In 1846 Carl Zeiss, then a scientific instrument maker to the University of Jena, established his first little workshop, which after 30 years, employed only 36 people. In the next dozen years the number rose to 300, and now there are over 3000 employees. All kinds of optical instruments are made here.

Not only are the Carl Zeiss Works famous for their instruments, but as a great industrial enterprise not owned by capitalists, but by itself, completely the common property of all con-
nected with it. It was through the efforts of a partner of Carl Zeiss that this co-operation spirit grew up. In 1891, after the death of Zeiss, this young man Ernest Abbe, foreswore his great fortune, and created the Carl Zeiss "Stiftung". That is, he transferred the Zeiss Works to itself. In 1896 the government ratified and invested with statutory force the provisions of this foundation. Over it the State has final control, but subject always to the charter.

The administration is in the hands of a committee representing the works, the university, and the government. Let us outline some of the general features of the charter, which in complete form covers 57 printed pages.

No capitalists draw any dividends from the industry. Income in excess of current expenses is devoted to three general purposes: 1st, improvements and enlargement of the business itself; 2nd, increase in the wages of the operatives; 3rd, betterment of their social conditions. No Superintendents or higher officials may receive more than 10 times as much in wages as the average wage paid for the last three years to all the workmen over 24 years of age who have been in the factory for 3 years. The highest salaries are about $5000. Workmen are guaranteed a definite weekly wage, but all work is done on a piece basis, and the weekly income is supposed to exceed this. Each year a part of the surplus is distributed, which has averaged 8% for the last 14 years. Eight hours is the working-day, since the introduction of which the average product is 4% larger than when it was nine hours a day. For holidays, overtime, sickness, military service, the employees are liberally
paid. Each employee gets a six day vacation if he has been in the establishment over a year.

No fines are assessed for any reason. For specified offences, reprimand or discharge may be inflicted after due trial. Complete personal liberty of association and in religious and political affiliation, is guaranteed. A very effective pension system prevents any workman from becoming a drag upon the community. Money rewards are given to employees for inventions or suggestions for improvement in the plant.

The town of Jena has come in for her share of the profits. The homes that the workmen rent have been erected by another society, the Jena Co-operative Building Society. Two splendid buildings, the Bath House and the Volkhaus, have been erected out of the profits. The industry is a success from a financial and human point of view.

In the administration of this unusual enterprise the charter has provided for a self-perpetuating board of 4 members, who must be experts in science or business. A fifth member is appointed by the grand-ducal government. The interests of the workers are represented by a committee of 120 elected by all employees over 18 years of age. From this group an executive committee of seven is chosen, which meets weekly.

What has the Zeiss enterprise taught us? It has demonstrated how much can be done for working people by letting them help themselves. The lesson that the complete elimination of the capitalist from an industrial enterprise does not prevent its progress and success, even from a business point of view, has also been taught.
IV. PROFIT-SHARING & CO-PARTNERSHIP

A. In every industry two distinct questions arise: Of the wealth produced, how much shall go to the employer, and how much to the employee? The other question is of greater importance although it is not usually considered so. What quantity of wealth shall be produced, much or little? There must be something to divide before any proportion can be worked out for the employers and employees.

By stopping the production of wealth by means of strikes and lockouts each side thinks it can get a greater share for itself in the future. Production depends upon the co-operation of capital and labor. They cannot work well together without mutual good-will. Industrial war tends to destroy good-will.

The emancipation of labor represents the greatest objective of industrial reform. There are distinctly two co-operation ideals - one of an association of consumers, with salaried or wage-earning officials, acting under the general direction of elected committees in the interests of the whole community; the other of groups of workers who, in virtue of their economic position, secure as individuals some special share of the profits that may be made and usually, some voice in control. Under the first scheme no man secures a particularized individual profit; under the second, no man is simply a wage-earner. There should be abundant room for both of these schemes.

Profit-sharing is not a sentimental but a business arrangement, conducive to the advantage of the employer as well as the employed. Participation in profit-sharing involves no recasting of society, disturbs no business administration, impairs no
authority of proprietorship, needs no state interference, and confiscates no man's property. Participation in profit requires the co-operative spirit to carry it out. Workmen may not appreciate it until they have been trained in it. Employers must take a personal interest in his workmen if he is willing to educate them. "If all the working people met in the street had a fair share of their honest industry, there would not be seen a ragged, a lean, a poor, an apprehensive, or discontented person among them".

It is impossible to make any theoretical limits to co-operation. They can best be determined through experience. There ought to be a painstaking and unbiased record made of the facts about co-operative enterprises. Unsuccessful as well as successful ventures should be carefully noted down.

One of the earliest and most successful forms of profit-sharing was that in the Pillsbury Mills in Minneapolis. The scheme was unique and original in its form. A certain number of men were selected from each mill, who should receive a portion of the net profits. It was to be experimental for one year, the number to be increased if successful. Mr. Pillsbury had long been a student of labor problems both in theory and practice. Yet he never posed as a philanthropist.

About 25% of the employees participated in the profits of the first year. The list included, first all men having positions of responsibility in the offices as well as in the mills, -- nearly every man whose labor could fairly be called skilled or upon whose fidelity much depended, being the number; and, second there were included all employees however menial their work
who had been in the service of the firm continuously for five years. The first year over $40,000 was distributed among about 100 men according to their salaries.

Mr. Pillbury never made public and never communicated to his men, the proportions in which the net profit is divided between the firm and the employees. The system pays from the employer's standpoint.

The Alexander Smith and Sons Carpet Company of Yonkers, New York, has a temporary system of profit-sharing. On March 1, 1913, all employees of ten or more years standing with the Company, were handed a check equal to 10% of their respective earnings between July 1, and December 31, 1912, also to employees of between five and ten years standing a check equal to 5% of their respective earnings for the same period. This custom has been followed for two years. This system is interesting because the Company is small.

The Eastman Kodak Company of Rochester, New York paid the first "wage dividend" to its employees on July 1, 1912. The basis of the payments was as follows: All men and women who were in the employ of the Company on Jan 1, 1912, and for a full year previous, who remained in the employ of the Company until March 1, 1912, were eligible to the dividend. The dividend was proportioned to the time of service up to five years. All those who had been in the employ of the Company for various lengths of time over five years shared alike.

In figuring the amount of the dividend there was deducted from the total common stock dividend for the year 1911, which amounted to 40%, 10% which was regarded as a regular or common
dividend. The difference of 30% was considered an extra dividend. The dividend to be paid on wages for the five year's service was taken to be 35% of the extra 30%, or 10 1/2%; that is to say an employee for five years length of service, who had received wages in that time amounting to $5,000 received as a wage dividend on July 1, 1912, $105. An employee who had been in the Company's service only one year received one-fifth of 2.1% The simplest way to figure the dividend would be 2.1% of the employee's total earnings during a period of service up to five years, and the simplest way of looking at it is that each employee received a little over one week's pay for each year of service. The advantage of this plan is that the dividend paid on wages earned is proportioned to the extra dividend on the common Capital Stock.

B. Industrial partnership is much more than simple profit-sharing, which is but the first step in that direction. Industrial partnership in its complete and ultimate form, is a real partnership - beyond mere salaries and wages - of capital and labor, of employer and employed, in the business in which both are engaged, a partnership in capital, in responsibility, and in actual management.

Adequate capital, its capable use and the association of the appropriate labor, are the three strands out of which the cord of stable industry is spun. It is the usual rule for the employees to share the profits of the concern, not by right of any shares they may hold or any other title, but simply by right of the labor they have contributed to make the profits.

A good example of this co-partnership is the South Metro-
politan Gas Company of London, which is said to be a "complete co-operative co-partnership" in which capital, custom, and labor are united by a bond of communion interests. An annual bonus is given by the directors on the salaries and wages of all officers and workmen, who enter into agreements with the Company for various periods not exceeding twelve months. Workmen must keep themselves efficient or they are denied this bonus. The power of discrimination is in the hands of the chief.

Merely giving this bonus is not strong enough to hold the workers together with any common interest. Three plans are adopted to make the bond still closer and the interests more real and lasting: (1) Only 1/2 of the bonus is made payable in cash, the other half, being invested in the company's ordinary stock at the market price of the day. (2) The men have the option of leaving the withdrawable part of their bonus in the company's hands, when either 3 or 4% interest is paid according to the amount, or, if preferred, additional stock is bought. Since 1898 two workmen directors have been elected by the share-holding workmen, these directors sharing equally with the others in the control of the company. Since the policy of co-partnership was introduced there has been no disturbance of any kind among the workmen.

Before taking up a detailed account of the organization of the Dennison Manufacturing Company, it might be well to cite a few of the reasons for the adoption of its form of organization. The unusual complexity of the business of the Dennison Manufacturing Company requires from its managers and its workers long training in detail concentration in effort, and peculiar natural
aptitude. This unique business cannot fine its best chance of permanent and successful development in any of the usual forms of corporate management, in which the stock tends eventually to pass to individuals not connected with the business. In order to protect those who now have a financial interest, it was necessary to work out a new form of organization such as will be described below. This plan finally places the responsibility of maintaining a wise management upon the principal workers, and offers them a reward commensurate with their collective and individual efforts, but makes this reward fully contingent upon their performing their whole obligation to the present owners of the capital invested in the business, at the same time providing as a penalty for unwise management the loss of the control of this management. It offers to the present capital owners a property whose permanent value is trebly safe-guarded and whose return, while it cannot increase in amount, is practically as certain as the return on a bond.

The industrial partnership of the Dennison Manufacturing Company, of Massachusetts, bears the marks of successful coping with baffling industrial problems. It is not a measure to purchase peace or promote efficiency. It will be regarded as unphilanthropic only by persons who do not hold that good industrial management prolonged over indefinite years is genuinely philanthropic.

Industrial history is strewn with cases in which the whole body of workmen have been admitted to joint management, but rarely with success. The development of the last half century
has been different: shareholders in corporations have become the managers of industry. The employees scarcely feel any reward for their extra efforts. In the same way the stockholders of a large corporation have little to do with its management.

Within the ranks of a great company are to be found most of the men who, as the world goes to-day, are best schooled and qualified to run it. As management is a function exercised by many men and at countless points, it may be a measure of justice to distribute some part of the rewards of management to all the managers.

At some points in the scale of remuneration of every large company occurs a natural division of the workers into two groups. Below the point are those workers whose labor is mainly of a routine character. The problem of their remuneration is one of paying wages in proportion to output. Above this group are those workmen who have initiative and imagination, who originate. They often exercise discretion in buying materials, or selling finished product wisely and profitably. The increased profits of the company are largely due to the efforts of these men. Why should not the entire increase of profits of the concern go to them. The Dennison Company believes that they should, and in their re-incorporation have made such provisions.

An outline of their system is as follows: The stockholders of the old company became under the new the owners of first preferred stock to the amount of $4,500,000, on which accumulative dividend at the rate of 8% is due. Provision is made for an issue of second preferred stock.

An issue of industrial partnership stock to the amount of
$1,050,000 is authorized. Such stock may be owned only by so-called principal employees, that is, persons who in the previous year have received for their labors (a) $1,200 or over and been 7 years in service; (b) $1500 and six years in service; (c) $1800 and five years. Such principal employees receive shares of industrial partnership stock in proportion to their wages. Stock shall not be issued for cash, but shall represent profits of the company, and therefore be distributed without special charge to those whose peculiar efforts are chiefly the means of securing the profits.

A crucial question in this connection is, how shall the issues of industrial partnership stock be apportioned? It is impossible to ascertain the exact share that each individual workman has in the profits of the concern. There is, however, a kind of index to their comparative values in the salaries men get. This scale can be used effectively, because the industrial partnership stock is issued in $10 denominations, permitting many gradations of amount to be adequately expressed.

Only active workmen still in service may be holders of industrial partnership stock. This provision makes it possible for the profit to be divided among those who may be regarded as responsible for them. In case an employee leaves the company or dies, his stock may be either purchased by the company for cash or converted by the company into second preferred stock paying an unvarying rate dividend and never receiving an allotment of new stock. At the option of the company cash may be paid, instead of second preferred stock, to the retiring owner of industrial partnership stock.
A considerable amount of industrial partnership stock will be issued, but it may be some years before $1,000,000 will be outstanding. Until that date the holder of one share of first preferred stock, par $100, and the holder of ten shares of industrial partnership stock, par $10, will each have one vote. When $1,000,000 of industrial partnership stock is outstanding, the preferred stock will have sufficient safety no longer to require a vote. Then their holders will cease to vote and the entire management of the concern will fall to the principal employees. These are the persons most fit to manage, the persons who have risen from the lower places, the persons qualified by proved ability and experience to manage the business.

The guarantee of the efficiency of the scheme will depend on continuing to exclude from the profits of management those persons receiving less than $1,200 and only taken recently into employment, and on excluding them from voting.

The external safeguard is quite as effective as the internal. The speculative stockholder, the ignorant and indifferent stockholder, and the scheming broker are all excluded from the business. In the Dennison Company, as in many others, the directors themselves have commonly if not always risen from the ranks. The most promising features of this experiment are: first, that the death of the founder does not tend to the disintegration of the business; second, that the workmen may feel that though they do not wholly own their business, yet their extra productive effort, their co-operative loyalty in expending effort, will return extra profit to themselves alone and not to idle and non-responsible
outsiders. The Dennison scheme, while different will likely find its way into the organization of other companies.

It is important to note that systems of stock-sharing are not confined to the smaller corporations. The United States Steel Corporation has worked out a scheme which has proved very satisfactory to its employees. On December 31, 1902, the Board of Directors submitted to the employees of the Corporation and its Subsidiary Companies a plan whereby every employee was granted the opportunity to participate in the profits of the organization through the purchase of Preferred Stock of the Corporation. The plan was immediately favorably received by the employees, the subscription exceeding about 100 per cent the amount it was anticipated would be taken. They were allowed three years to pay for the stock, in the meantime receiving a seven per cent interest on the deferred payments. If the employee discontinues his payments before the stock becomes his, he can get back the money he has paid in and he may keep the difference between the dividend on the whole and the interest on the unpaid part. If he keeps the stock after he has paid for it, and remains an employee of the company for five years, he receives another payment as an additional dividend of five dollars a year for each share. If he leaves the company this bonus goes to the employee stockholders who have remained.

The following table explains how the plan has worked.
<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employees subscribing to stock</th>
<th>Number of shares allotted them</th>
<th>Price per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1902</td>
<td>27,379</td>
<td>48,983</td>
<td>------</td>
</tr>
<tr>
<td>1903</td>
<td>10,248</td>
<td>32,519</td>
<td>------</td>
</tr>
<tr>
<td>1904</td>
<td>8,429</td>
<td>17,973</td>
<td>$ 87.50</td>
</tr>
<tr>
<td>1905</td>
<td>12,256</td>
<td>23,989</td>
<td>100.00</td>
</tr>
<tr>
<td>1906</td>
<td>14,169</td>
<td>27,032</td>
<td>102.00</td>
</tr>
<tr>
<td>1907</td>
<td>24,884</td>
<td>30,621</td>
<td>87.50</td>
</tr>
<tr>
<td>1908</td>
<td>19,192</td>
<td>18,000</td>
<td>110.00</td>
</tr>
<tr>
<td>1909</td>
<td>17,444</td>
<td>24,672</td>
<td>124.00</td>
</tr>
</tbody>
</table>

For the year 1906 a substantial bonus was distributed to a large number of employees who merited the same. 21,000 shares of common stock were distributed. From the bonus ascertained at the end of 1907 a separate fund to be known as the Pension Fund and to be used for pension purposes only. At the end of this year $1,000,000 was reserved for this purpose. Definite data after this year is not available.
V. PROSPERITY-SHARING

Our rapid progress due to inventions and increase in capital will soon cease. We are approaching a condition as a people where we must be satisfied with earning a comfortable living by honest toil, be contented to enjoy what human life really needs. Mere magnitude of business does not constitute success and prosperity. When a business is prosperous the employees should be glad, because a business must either be prosperous or it is meeting with adversity. The man who labors should have faith in his employer. Great harm has often been caused, because the employees felt that they were not getting their share out of the profits.

The term prosperity-sharing is used by Lever, an English economist. He gives as its purpose "to create increased prosperity by common effort sufficient to provide a share of that prosperity for labor, and also to enlarge the prosperity of capital and management". Profit-sharing in some ways has not had the influence that was expected of it in improving and elevating the position of labor engaged in productive or distributive co-operative undertakings. The whole family shares in prosperity-sharing. It makes life easier, brighter, better, and higher for all. Some of the better methods have been tried will now be discussed.

Principle of self-interest in its broad sense should be common in our business relations. Capital, management, and labor must co-operate.

The discussion of Pullman Illinois, which follows is based upon material written in 1885, soon after its construction. It is introduced here to show what one company could do in aiding its workmen. Since that time the Supreme Court of Illinois has
forced the Pullman Company to sell all of its real estate in Pullman except that connected directly with the plant. It is the initial undertaking of the company that is of importance in this discussion.

The most extensive experiment ever tried for taking care of the home life of laborers, thus affecting their wives and children, was at Pullman, Illinois. It was a social experiment on a vast scale, hence its significance.

Pullman is a town of 8,000 inhabitants situated 10 miles south of Chicago on the Illinois Central. It was built by the Pullman Palace Car Company. Its purpose was to provide both a center of industry and homes for the employees of the plant and such other laborers who might be attracted.

The questions to be answered for our purpose are: Is Pullman a success from a social standpoint? Is it likely to inaugurate a new era in society? What are its bright and dark features?

The town is at least pleasant to look upon, conditions differing greatly from the usual laborers quarters. The public buildings, including an Arcade, theater, church, market house, library and others are managed by the company.

The Pullman companies own everything. No private individual owns any ground or a single building in the town. One of Mr. Pullman's fundamental ideas is the "commercial value of beauty", and he surely has carried it out here.

Of course, the town was built to pay financially. In the increase in value of property, and efficiency of the work done it yields a return. This has been a great start at bettering
the conditions of laborers whether or not it was intended by Mr. Pullman to be a philanthropic project.

The management of the company being entirely in the hands of the employers, gives rise to certain disadvantages. Favoritism, out of place in an ideal society, is too often shown. Most of the people do not live there permanently. There is not opportunity for the expression of public opinion because of the domination of the Pullman Company itself. A man does not dare express his views regarding the town in which he lives. The religious side of their life is deplorably neglected. It is natural for a laborer to look forward to owning his home. This produces thrift and economy.

In conclusion, Pullman might be called un-American. "It is benevolent, well wishing feudalism, which desires the happiness of the people, but in such a way as shall please the authorities. Some co-operative features would relieve some of the disadvantages to a great extent.

The Social Palace or the Familistere at Guise built by M. Godin was the first great attempt at solving the social problem of laborers and their employers. The builder had been a poor boy, raised in a manufacturing condition. He was intimately familiar with conditions as they existed.

It was through his beginning a new industry in France - that of replacing the rise of sheet iron in stoves by the use of cast iron - that M. Godin laid the foundation for the work which now is carried on at the Familistere. It was his deep feeling for humanity that prompted his action for building such a palace.
Space will not permit a detailed description of the palace. One large building cares for about 500 of the employees and their families. These apartments are well arranged and fitted up. The stores and shops all supply goods at a reasonable cost. There are all the requisites present for the practice of economy.

There is a nursery provided for the children; the orphans are taken care of; the educational system is ideal, being supplemented by practical work of various costs.

The only rule and regulation of the Familistere is liberty, and this is the principle of its organization. On this account, each one respects the common good with which his own well-being is closely connected.

As to the organization of the Familistere we might note the following: An administrative commission, elected by the inhabitants, is charged with the direction of the industrial and other interests. An officer, called the Economist, has direct charge. The stores, shops, etc. must all report to him. Each branch of the service is checked up every week.

A council of twelve men, elected from among the men, and twelve women, elected from among the women, by universal suffrage forms a peculiar social feature at the Social Palace. The council of men is occupied with questions concerning improving the work, organizing methods of division, or in arranging the festivals. That of the women considers chiefly the domestic functions, the quality of the supplies, the care of the children, and all the improvements which can be
introduced into domestic labor and life. These councils have a great moral influence in maintaining the regular working of the administration, and in guarding the general interests of the community.

The guiding influence in this great enterprise has been the builder M. Godin. He has been admirably aided by his children. The question now arises "Does it pay to help one's employees in such a way? The foundation of the first building was laid in 1859 and as it stands in 1870 the outlay of capital has been about $400,000. Deducting a sum for depreciation and expenses, about 6% is realized on the investment each year.

In order for any undertaking in the industrial field to be counted a success, it must survive and prosper for a length of time. That M. Godin built wisely is shown by the fact that during the twenty-five years of its existence, the Familistere has not witnessed a law-suit or police case among its inhabitants although the population has nearly trebled.

In 1880 a co-operative partnership was affected through M. Godin's efforts. The business name of the association is Godin & Co. At the head is an Acting Administrator (now M. Godin), assigned by a Council of Administration, one of Industry, and one of the Familistere. The manufactory is divided into a certain number of workshops, each in charge of a chief.

M. Godin has formulated the following law for the participation of each of the factors in production. "Every producing element should participate in the profits, in proportion to the services it has rendered".
The three factors are:

1. The earth and the natural resources, joined with the utilities furnished gratuitously by society.

2. The active labor of individuals.

3. Capital or labor economized, the passive agents.

The due reward for special service, for long employment, etc., is taken care of by a sliding scale of wages. There is also an efficient system of insurance. Pensions are accorded after long service or injury.

Here is an example of what one man's efforts may do in raising the standards of those who are responsible for his wealth. How much better our industrial conditions would be, if all the capitalists would reward those who have made their fortunes possible.

Just across the Clover leaf tracks to the South of Edwardsville, Illinois, lies the village Leclaire, containing the shops of the N. O. Nelson Mfg. Co. whose headquarters are in St. Louis. This is a pretty thriving village of about 650 inhabitants, most of whom are employees of the Nelson Works. A few "outsiders" have chosen to live there and all are welcome.

The Village Leclaire was started by Mr. Nelson in 1890, at which time he was looking for a location to which he could move his manufacturing industries, then located in St. Louis. It was named "Leclaire" in honor of the pioneer French profit-sharer, and because the name was short, sweet and euphonious. It was Mr. Nelson's desire to better the living conditions of his employees and for this reason Leclaire was organized.

The N. O. Nelson Mfg. Co. Shops comprise about fifteen
buildings, the main shops, six in number, being of brick, one story low combustion construction, ranging in size from 40 x 160 to 80 x 160. There are also a brick boiler house, a dry house, concrete warehouse, and store houses etc. About 300 men are steadily employed the year around, turning out plumber's brass work, plumbers' wood work, architectural marble and pipe machines. The manufactured product is shipped to every part of the United States and occasionally abroad. Traveling cranes and many side tracks for shipping and receiving, give the best of equipment for handling goods. Since the shops were located here in 1890 no part of them has ever shut down, nor has any part run short time for any lengthy period.

Even before leaving St. Louis, in 1886 Mr. Nelson adopted a profit-sharing plan of doing business. Since that date the profits of the customers likewise have been taken into the profit-sharing plan. The dividend to employees is based on the wages earned within the year. The dividend to customers is based on the gross profit on their purchases. Since 1904 the dividends to employees have ranged from 15 to 30 percent of their wages, and have amounted to approximately $200,000 in addition to the amounts received in the preceding twenty years. A large majority of the employees are stock holders in the Company.

The Company also maintains a pension fund for disabled and superannuated employees, and an accident fund to care for those who are hurt from any cause while in service in the company.

About one hundred yards from the Works begins the residence portion of Leclaire. The situation is a beautiful one, level but not flat, flanked on either side with heavy oak woods. The
village is laid out with winding streets which are paved with cinders, and have side walks and trees on either side. The building sites are laid out in lots from 50 ft to 100 ft. frontage. On these the Company builds houses for employees who wish to buy, and a few to rent. The houses are all good cottage designs, not at all uniform, and are surrounded by yards set in grass, flowers and shrubbery. Every house is supplied with water, electric lights, and most of them have complete bath rooms. Houses for employees are paid for in monthly payments, averaging about fifteen dollars per month. The Company maintains a free kindergarten in a commodious building, a library, billiard hall and bowling alley, all of which are free, not only to the residents of Le-Cliare but to everyone.

The campus and recreation grounds are of ample size for base ball, foot ball and other out of doors sports. The base ball team is a member of the Trolley League and is a most popular organization. The LeClaire Lake is an artificial body of water of about ten acres, that is used for boating, bathing, fishing and skating. The public grounds around the school house, campus, shops and road borders, are kept in excellent shape, with many flower beds that add to the attractiveness.

The entertainment and social features of LeClaire are in the broadest sense educational. The free kindergarten is open to all residents of LeClaire and Edwardsville alike. The LeClaire concerts and entertainments are free.

The LeClaire Co-operative Association which conducts a grocery and notion store on the co-operative plan, has been doing a thriving business for about nine years. The shares are
$25.00 each, which can be paid in cash or by dividends received on purchases. A member owns only one share. He has a vote whether he has paid in part or in full. Six percent per annum is paid on the shares, and he receives his part of the profits in proportion to the amount of trading he does with the store. The dividends on sales are from six to eight percent and are paid quarterly. Buying is all for cash, the selling is for cash, except that some deliveries are unpaid until the next call. There are about 150 stock holders and the sales are close to $50,000 per year. Non-members receive half dividends on their purchases. This store is conducted on the standard Rochdale plan in its entirety, a rare thing to find among hundreds in the United States.

The Nelson Works and Leclaire are closely linked with the present marked progress of Edwardsville and its future.

Perhaps no concern has done more to increase the efficiency of its employees than the National Cash Register Company. This Company has a practical monopoly on the manufacture of cash registers, but no concern is doing a greater service to the business world and also to its workmen.

Dr. William H. Tolman, Director American Museum of Safety, has made a very comprehensible study of conditions here. He says, "To illustrate the progress of Industrial Hygiene in the United States, I have selected The National Cash Register Company's plant at Dayton, Ohio, as the best and most illuminating example of systematized effort for shop efficiency and the health and comfort of employees that this country affords. If I were asked to characterize the National Cash Register Company,
in a word, it would be Efficiency; all-around, lasting Efficiency, planned not for a day, but for a lifetime; not the Efficiency of the tool or the machine, the thing - but of the man and woman - the workers themselves".

The buildings certainly do not resemble the factory type. The grounds have been beautified by noted landscape gardeners. The plant covers 74 city blocks, with a floor space of 34 acres. There are ten main factory buildings, connected by tunnels and bridges. The buildings are very modern in their construction, special attention having been given to lighting, heating, ventilation, and sanitation. Over 350,000 sq. ft., or about 4/5 of the wall space is constructed of glass.

The interior of all the factory buildings together with all work benches, tables, stock bins, and machinery, are painted a soft, light green. The basement floors are concrete and all the upper floors are constructed of maple.

The Company gives out a list of over seventy welfare features, of which the more important are: Physical examination of new employees; cleanliness, pure air, good light and pure water; shower and tub baths - soap and towels furnished - 20 minutes of Company's time allowed once a week in winter and twice in summer; lectures to employees; laundry for women's aprons, janitor's suits, towels, linens, etc., gymnasium classes; tennis courts and baseball diamonds. Among the educational features are: moving pictures during the noon hour; library - 3000 volumes; educational trips to large cities; talks by prominent visitors and securing of prominent lecturers. After passing a physical examination, each employee may become a member of the National
Register Relief Association which gives sick and death benefits.

There are many special features for the women employees. They have a kitchen for preparing their meals. In order to save them the strain and discomfort of traveling to the factory at the "rush" hour when all conveyances are crowded, they are permitted to arrive later and to leave a little earlier than the male employees. They are allowed two recess periods a day, in addition to the lunch period at noon, at ten o'clock in the morning and at three in the afternoon, when they may rest for a few minutes.

One of the most unique organizations of this factory is the Officer's Club, formed in 1891. Its headquarters are in the new buildings, where a large kitchen and dining-room accommodate daily almost 400 people. The club includes officers, heads of departments, job foremen in the factory, and heads of divisions in the office. Every man directing one or more men has the privilege of lunching here at a nominal monthly charge of $5. Banquets and entertainments are also held here.

The janitor force, or, as it is known, the General Service Department, is made up of the following men: One man, eight assistant foremen, one clerk, barber, stock-keeper, one man distributing towels and linen, nine window cleaners, eight cuspidor cleaners, six lavatory men, and forty-eight general duty janitors. All employees in this department are furnished with working clothes, clean, white duck suits daily to those working in the office building, and khaki suits clean twice a week to those employed in the factory building. These facts show that no expense is spared to insure cleanliness and sanitation.
The educational work of the factory among its employees is equally interesting. Lectures on health, personal hygiene and efficiency, progress, science, travel, landscape, and civic improvement have been prepared for which over 30,000 slides have been collected. Most of these slides are made in the Slide Department of the Company. The educational center for this work is known as the Hall of Industrial Education. There is nothing unusual about the exterior of the building, but the ventilation and acoustics of the interior are unexcelled. Another educational institution connected with the plant is the "House of Usefulness", where men, women, and children of the neighborhood meet in their clubs and classes. It really is an industrial settlement house, governed by a board of neighborhood men. Women's clubs for neighborhood work and improvement and charity, girl's sewing classes and classes in mechanical drawing for the boys meet here. The factory library of over 3000 volumes is in circulation among the employees. A charge of one cent per volume a week places the library one a self-supporting basis. The magazines and current weeklies may also be taken out. One of the heads of a department has said, "I get here what I never got at college. The place is bristling with new ideas and the application of what yesterday were only ideas, but to-day, actualities. My colleagues all work with me. There is an atmosphere of contentment here; the place stands for team work."

The efforts of the Company have not been confined to their own premises. They have accomplished much in the way of improving the home life and surroundings of their employees.
The best efforts in landscape gardening are rewarded by prizes, distributed every year at a dinner given at the expense of the Company, to which the members of the different improvement associations, their friends, and guests are invited.

What has done more than anything else for the families in the community are the Boys' gardens. This movement started several years ago in order to give the boys something to occupy their time. The Company provides the ground, seeds, tools, and a gardener. The boys tend the gardens allotted to them under the supervision of the gardener. All the produce they raise they may have for the use of their families, or they may sell it retaining the profits. The morning work hours are from 6:30 to 7:30 and the evening hours from 4:00 to 5:15. If any boy wishes to work overtime, he must stop when the rest do, report to the head gardener, and get permission to continue. Some rather strenuous rules insure good order.

The National Cash Register Boys' Garden Company was organized a few years ago under the state laws of Ohio, the boys who work in the gardens being stockholders, and annually elect the board of directors and officers of the company. They have their own office building where the business affairs of their corporation are transacted. This building is located upon the grounds set aside for the Boys Garden Company and furnished by the National Cash Register Company. The boys publish a booklet describing their work and organization. A diploma given at the completion of a two-years' course in gardening, serves as a recommendation if the boy wishes to find employment with the company at some future time.
The high degree of efficiency reached and maintained at the National Cash Register Company plant is the result of the carefully worked-out ideas of its guiding spirit - John H. Patterson. He believes in education and welcomes every hint and suggestion from within or without himself. Travel, observation, the study of history, current events, psychology, health culture, and the application of what are termed advanced ideas in his own daily life and his relations with his family, his friends, his employees, and helpers, the customers of the Company and the outside world - all are utilized by him in his effort to broaden his own point of view and to do his share in making the world a little better than he found it.

"The accumulation of his practical wisdom has found concrete, outward manifestation in the great, busy plant, probably the safest, healthiest, most unique and efficient factory in the United States".