

sists of a doctor's office, receiving room for patients, dispensary, nurse's office and the woman's rest room. The department administers first aid treatment and also gives professional advice in all cases of illness, and also dispenses medicine for factory and home use, no charge being made for any of the service or medicines. Detailed card records are kept of all patients calling at the department, and except in the case of emergency employees may go to the department only on passes issued by their supervisor or department head. From the time that an employee leaves his department to go to the medical department until his return he is carried on an idle time ticket and paid for the time lost. He is entitled to pay for that time.

The medical department is authorized to send any patient home because of an injury or illness and it is provided that no employee who has been sent home by the medical department may resume work until cleared through the medical department on a properly signed form. This is a protection to employees against infection during epidemic periods and it is our practice during such periods to send home any employee who may show conditions indicating that he may be contracting a contagious disease. Should an employee prefer to consult his own physician rather than our factory physician, he may do so, but will lose any time that he may be away from his job, and he must clear through the medical department before resuming work.

IN the *New Republic* of February 7 is an interesting article on the accumulation of capital in the United States during 1922, by David Friday, president of the Michigan Agricultural College, formerly professor of political economy at the University of Michigan and financial advisor to the Department of the Treasury.

He estimates the total of capital accumulation—excess of production over consumption—to be well over ten billion dollars.

While not giving exact figures, President Friday traces the sources of these savings as follows: something over 50 per cent by people of large means who own corporate and government securities, including officers who receive large salaries and are usually important stockholders; around 25 per cent by those who receive salaries and wages, whether from business enterprises or from governments; possibly 15 per cent by people engaged in the wholesale and retail trade; and approximately 10 per cent by farmers.

These savings are slightly less than one-sixth the total net income of the United States in 1922—an income somewhat over sixty billion dollars.

The saving of those receiving salaries and wages is an interesting item. In 1922 "the fear of depression and unemployment was still in the hearts of men, and the savings of this group expanded in an unusual manner. Probably at no time have the savings of the great mass of people in this country been larger than during the latter part of the year 1922. . . . Certainly the notion that a large distribution of the national in-

come among the laboring classes militates against abundant capital accumulation finds little support in the events of the past year."

"Immediately, the funds thus saved were taken to the investment market, deposited in banks, paid to life insurance companies and building and loan associations, employed in the payment of debt, or used by the corporations or individuals who made them to employ labor and material for the construction of durable goods. Ultimately, they resulted in an addition to the nation's tangible wealth or to our claims against people abroad. The buildings which we have erected, the extensions which have been made to our public utilities and our railroads, the improvements in our highways and pavements, the betterments on our farms, the addition to our stock of durable goods like furniture and automobiles; these represent the capital which we have accumulated during the year. In addition we have imported several hundred million dollars of gold from abroad and have acquired half a billion of government securities. We have also sent some hundreds of millions as immigrant remittances and foreign relief to the needy of other nations."

"The sum of these stands as a striking achievement. It should silence most of the jingoist talk concerning the danger of foreign competition to this nation. No nation or group of nations can threaten seriously our economic supremacy. We are within striking distance of an economic order where the means of well-being shall be established for all."

REDUCTION OF WASTE IN OPERATING DEPARTMENTS OF LARGE RETAIL STORES¹

By PHILIP J. REILLY²

I. REDUCTION OF WASTE IN LABOR

1—Selling Departments

One of the outstanding problems in store management is the maintenance of an adequate staff of efficient personnel to give the prompt service at all times that a critical purchasing public demands. This problem is difficult because the volume of retail trade varies considerably as between different hours in the day, different days in the week and different months in the year. For example, morning hours from 9 to 11 are somewhat inactive. Although shoppers appear in increasing numbers from 11 to 3, about one-fourth of the salespeople are absent during each of these hours for lunch. Most stores do over 13 per cent of their total volume in December and only 6 per cent of their total volume in July.

To provide the staff necessary to render prompt service under these varying demands, requires daily study of the placement of the personnel force by departments and continual supervision to prevent any waste in this element of expense.

According to the Harvard Bulletin referred to, salaries and wages represent the largest single item of expense, since they approximate 56 per cent of the operating expenses of large retail stores. Personnel must be nicely balanced to prevent waste during inactive periods and to provide prompt service at the peak of the demand.

In the group of stores referred to, the first attempt to reduce personnel expense was to set new standards by obtaining comparative figures of the per capita sales output of salespeople and the production figures for non-salespeople in each of the stores, although in the latter case it was not possible to obtain this information for all positions.

A survey made in the early summer of 1921 revealed the fact that the per capita sales per selling person for the same month varied from a low point of \$975 in one store, to a high point of \$2,525 in another store.

IN former meetings of the Taylor Society attention has been given to the results of certain investigations by management engineers, of waste in industry and the most effective methods that have been used in its reduction.

At the invitation of your Managing Director, this paper has been prepared to indicate the results of certain recent studies in waste reduction that were made by a number of representative department stores.

In a recent compilation of the operating expenses of 301 department stores for the year 1921,³ it is shown that the total expense for these stores was 27.8 per cent of the sales and the net profit was only 3.1 per cent of the total net sales for that year. In other words, the operating expenses were about nine times the amount of the net profits.

This high expense reflects somewhat the difficulty that has been encountered in 1921 in readjusting operating expenses to declining prices. Retailers have been greatly concerned as to the size of the necessary spread between the original cost of merchandise and the retail price, which spread is represented by the operating expenses. The task of reducing this by eliminating every element of waste has been conscientiously tackled by most large retailers during the past two years. Although the purpose of this paper is to indicate the line of inquiry that has been followed merely by one group⁴ of stores, doubtless many similar instances could be cited by other large retailers not represented within this group.

Some examples of specific economics that have been effected are given, as these may have suggestiveness to other retailers who are studying the reduction of waste in their operating departments:

¹ Paper presented at a meeting of the Taylor Society, New York, Nov. 24, 1922.

² Associate Director, Retail Research Association.

³ Made by Bureau of Business Research, Graduate School of Business Administration, Harvard University; see Bulletin No. 33.

⁴ Members of the Retail Research Association, New York.