II. Criterion of What is Satisfactory in Human Relations and Conditions

Human relations and conditions in industry may be regarded as satisfactory if they result in the effective co-operative functioning together of employer and employes for the attainment of an agreed objective in such a way as to recognize and respect the rights and privileges of all concerned and also to secure for the workers the liberation of their creative energies and a recognition of their right to responsibility. Thus human relations and conditions are not separate from management, but an essential phase of it and dependent upon its competence.

III. Objectives of an Industrial Enterprise

If the criterion just stated be adopted, it is obvious that the accepted objective of the enterprise must be large enough to comprehend the interests and relations of all groups in industry, including the relations of employer to employe, the relations of colleagues within the management to each other, the relations with competitors, and finally the relations with customers. Such an objective may be defined as *supplying goods and services with the least possible waste of human effort and materials, at the lowest prices consistent with good quality of product, fair wages, healthful working conditions and safety and fair return for capital invested.*

IV. Wages and Earnings

If industry were static, it might be possible to formulate a statement about wages and earnings which could serve as a measuring rod in determining what the wage rates should be. In a time of constant change, however, when output per worker increases, due to technological changes, changes in method and increased skill both of individuals and of labor as a group, wages and earnings must be looked upon as a problem of relationships for which no constant formula has yet been devised. It is for this reason that *the method of determining wage rates as well as the wage scale established is a vital factor in employer-employe relations.*

As productive capacity increases with the application of new technological discoveries and with the increasing competence of management and labor, all the factors in the equation of relationships of wages, prices and return for capital must correspondingly change. *The necessity for correspondence between productive capacity and consuming power* gives added reason for "fair wages and good working conditions" which make possible a rising standard of living for all wage-earners and permit them to function correspondingly as consumers. Purchasing power is determined by the price level as well as by the wage level. *In a period of increasing productive capacity the use of a surplus in industry as between enlargement of plant or equipment or enlarged return to investors or, on the other hand, distribution of purchasing power through lower prices or increased income must be viewed as a problem in keeping the balance between production and consumption.*

Review of the wage scale at regular intervals becomes therefore necessary. The earnings throughout the year of individual workmen must be regularly analyzed and compared with the standards already established in the industry and in the locality. Cutting rates should be avoided as demoralizing alike to production and to the community's standard of living. On the other hand, increases in rates should be based on more than local, temporary change in productivity. All wage determinations should be based on facts and procedures which insure at least relative permanency.

The principles of scientific management emphasize that setting the rates of compensation involves *study and standardization of all factors affecting the performance of a given task,* including the keeping of machinery in good condition, provision of proper tools and good materials and the maintenance of good working conditions, as well as careful selection and training of workers. *The basic minimum for the lowest paid adult worker should be a living wage, with proper differentials established for skill and experience.*

Time and motion and related studies should be regarded as part of this task of standardization and a tool for the discovery of facts about costs. *Such studies should be a joint enterprise between labor and management.* Before time study is undertaken, its purpose should be frankly explained to the operative who is to be observed; and it should not be practiced except by those who have mastered its technique. Secrecy should never be permitted; frankness is an indispensable condition for its usefulness.

Profit-sharing has not yet reached the stage in experiment where it can be put forward as an agreed record of experience, and still more tentative is the whole subject of employes' stock ownership. At this time it can only be urged that profit-sharing and employes' stock ownership be studied.

V. Hours of Labor

A working day of eight hours has been so generally accepted in industry, as meeting the social needs of the worker and as a safeguard of efficiency in production, that the burden of proof rests heavily on any longer schedule. This limitation should apply also, of course, to continuous twenty-four-hour work, which should be divided into at least three shifts. A shorter working day is under discussion in some industries and is worthy of study in all work places where increasing speed of production, due to improvements in equipment, has resulted in a marked increase in output. *The needs of the workers for leisure and for protection against excessive fatigue set maximum limits within which management must be competent to devise methods of production to fulfill these needs.* Overtime representing excess over the regular schedule should be paid for at a higher rate of at least "time and a half," both as an inducement for management to keep within the standard schedule and as a recognition of the right of the workers to their leisure.

The working week should always insure at least one day of rest in seven. The Saturday half-holiday is now well established, especially to insure the average if the preceding five days are longer than eight hours each. The five-day week has reached the stage of experiment, and should be watched by all progressive managers. It is to be expected that *the world's increased productive capacity should result in increasing leisure for all. It is to the advantage of a proper balance between production and consumption that industry should reduce daily and weekly hours as higher levels of output are permanently attained.*

That the legal and customary holidays of the community should be observed needs no emphasis, as this is commonly accepted in well-managed enterprises. Equally desirable is the growing practice of giving summer vacations with pay.

Night work (after 10.00 P.M.) should be avoided where possible and should not be required of women employes. As brought out in briefs in defense of labor laws prohibiting night work for women, presented in the Supreme Court of the United States and in the state courts, it is the world's experience that, in the interest of the health and social well-being of the woman worker and of the community, she should not be required to work at night in industry. Investigations have shown that the majority of women who work at night in factories do so under a heavy burden of caring for their homes by day and working in factories at night, and it is to their interest and that of the community that they should be protected against this double burden. The other recommendations for hours of work by day and by the week apply with equal force to men and women.

Minors under the age of eighteen years should never be employed longer than eight hours a day and never during night hours.

VI. Security of Employment

To insure relative permanency and continuity of employment should be an objective of good management.

In so far as frequent changes in the working force arise out of lack of adjustment of individuals to their work, the causes should be dealt with as problems in personnel organization, discussed in a later section. Involuntary unemployment which results from the failure of the individual firm to hold its own, or from seasonal conditions in the industry as a whole, or from general business depression, is a problem involving many elements of management beyond the scope of discussion in this code. However, security of employment should be emphasized as one of management's major objectives. *A definite guarantee of employment for a specified number of months in the year and provision of funds to make payments to workers for whom employment is not provided for the guaranteed period, is being demonstrated as a practice which should be studied by all industries in the interest of the workers, the community and the enterprise itself.* Continuity of employment is coming to be looked upon as a net result of all the elements which enter into good management, and if so regarded it constitutes a stimulus to the better performance of all the functions of management.

Technological improvement—the invention and adoption of human energy-saving equipment and the discovery and adoption of improved methods of work—*should be a matter of continuous concern and of specialized responsibility within the organization.* These should be a matter of interest because they constitute the solid foundations of stability within the industry, and that interest should be *continuous* because improvement by small increments permits adjustments to change on the part of the individuals concerned and avoidance or reduction to a minimum of what has come to be called technological unemployment. Especially adjustment to change on the part of the older, less flexible workers is promoted if change is by a succession of moderate adaptations instead of periodic, radical tech-