

lems of insurance against irregular employment. Even if the bargaining power of labor has not heretofore been great enough to insist upon these insurance provisions, it is reasonable to suppose that they are of an interest and value to labor as similar to the interest and value to capital and management.

4. Special risk payment for labor is for our purposes an inconsiderable matter.

5. Control, with labor, is not a function of the risk of the business but of an entirely different variable. Labor has shown itself for the most part free from any desire to control or to have part in the control of the general affairs of the corporation. It selects from among the corporation's activities wages, hours and such working conditions as most immediately concern labor, and is more and more insistent in demanding a voice in the control of just these matters.

6. The dynamic value of varying rewards to labor is generally recognized and met in the payment of piece rates or performance bonuses. It is becoming clear, however, that while labor is not so intimately tied into the corporation that its reflex effects are as vital as those of management, nevertheless its connection is more vital than has been our habit of thinking and its collective will, therefore, of greater concern. It will probably pay, therefore, other things being equal, to enlist the collective interest and goodwill of the worker by appropriate means.

#### THE CUSTOMER

1. The use of the customer's service whether as distributor or consumer must be paid for by affording some value to him greater than any payment he must make for the corporation's goods, or incidental to their use or resale.

2. Normal risk may be presumed to reside in such goods as branded lines as against the great staples such as cotton, wheat, copper and the like. To handle these lines a slightly greater margin would be expected by the retailer or somewhat more careful purchasing effort exerted by the consumer.

3. Insurance against loss to the customer is to be thought of only in connection with special risks and then takes some form similar to sale by consignment.

4. Special risks are not generally assumed by a customer. The corporation itself must usually stand behind the success of new ventures until the quality of sample lots is pretty thoroughly determined or resale goods introduced soundly into the market. Com-

mon instances of customer's special risk are seasonal and fashionable goods. On such goods the dealer demands a larger margin of gross profit.

5. In the normal market the equal bargaining power of the customer usually provides a sufficient share of control. As in the case of labor it is not related to risk but rather to that class of the corporation's activities which interest and affect the customer; the customer desires and in the normal market achieves a voice in control of styles, prices and deliveries in much the same degree and sense in which labor would achieve such a voice if the bargaining power had been in the past more nearly equal to that of the employer.

6. Rewards for the customer varying with performance are ordinarily provided by the customer's own activities. There are, however, a few instances of special bonuses for quantity of purchases and devices for a share in profits which have been instituted as attempts to gain the dynamic values of the customer's active cooperation. Along some such lines must forces and factors be analysed when scientific rather than exclusively legal attention comes to be given the problem of building or re-building the structure of a corporation. Present practice applies the dynamic forces of gain and loss chiefly to that factor which has least power of direct response, necessitating the provision of a somewhat artificial power of response through election of the normal controlling factor. The personification of capital arose naturally enough when capitalist and manager were more frequently one and its superior powers were normal to its great scarcity in the early part of the XIX century. A permanency beyond the days of special fitness of these attributes resulted from the legal invention of the business corporation as a fund of money or values in substitution for the older partnership or group of men.

#### STEPS TAKEN

The Dennison re-incorporation in 1911 really forms a combination of partnership and corporation by crediting to capital in the hands of members of the management quite different responsibilities and rewards from capital of outside hands, and by assigning ownership of the annual increment, or reinvested surplus, to management rather than to capital. Its present structure may be described in conformity with the method of analysis here suggested, as follows:

*Capital:* 1 and 2. It was possible to pay a fixed lease for the capital which has been invested and re-

invested up to 1911. The rate was 8 per cent on an amount which included \$1,000,000 valuation for goodwill, or about 10 per cent on value of real and personal property.

3. The insurance provisions include preference in assets and dividends and control in case dividend payments are seriously delayed.

4. A rather mild special risk was met by giving control to capital until additional tangible net assets to the amount of the goodwill account had been accumulated.

5. Capital's control is a function of risk; it has no voting powers under normal risk conditions.

6. No fluctuating payments are made to capital under normal conditions; new capital may be purchased under such terms as the market may make necessary.

*Management:* 1, 2 and 3. Monthly salaries and informal understandings as to regularity of employment cover use, risk and surety.

4. By the distribution to members of the managerial force of the equity in each year's re-invested earnings and through capital's preferential treatment the management becomes joint owner of that portion of the capital which is always subject to special risk and where dividends fluctuate with earnings.

5. Under normal conditions and as long as it is successful, management has sole control, exercised by the usual method of stockholders' election of directors. The voting rights of this stock cease as soon as its holder severs connection with the managerial group.

6. The dynamic powers of management are referred by the full force of the profit and loss account and in each individual case by the chances for advancement in salary and position as well.

*Labor:* 1, 2 and 4. The "going rates" of wages form the bases for payments for use and normal risk.

3. Power of appeal to an Employees' Committee in case of discharge, the accident compensation law, a fund for relief of unemployment, and an informal pension plan all classify as labor insurance provision.

5. Through their various unions, but chiefly through the Works Committee plan, labor has just about the field of control and in just about the degree it desires and can handle effectively.

6. Payment by results is a most important spur to the dynamic powers of labor, but is by no means the only one relied upon. A considerable number of plans and policies focus upon the development of in-

ternal goodwill, among which is the recently installed extension of the industrial partnership to labor in a form of service bonus.

*Customer:* Relations with the customer are of the usual types based upon equal bargaining power and mutual goodwill.

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#### SHOP COMMITTEES AND TRADE UNIONS

IN an instructive account of the shop committee in the Lynn, Mass., plant of the General Electric Company, published in the *New York Evening Post* of May 5th, the relation of this committee to the national trade unions is described in some detail: Ninety per cent of the ten thousand employees of the works, it is pointed out, are regular dues-paying members of trade unions. Of the employees' representatives nearly one hundred per cent are trade unionists, and the top committee of the system is entirely constituted by trade unionists. Moreover, these representatives are at the same time officials of the Lynn Metal Trades Council, which is a central union or "assembly" of delegates of certain craft unions. The company deals with these men, however, not as officials of the trade union body but as representatives of its own employees. Such is the situation described, which suggests a comparison that should prove extremely interesting: That the comparison is with British conditions need not make it less so.

The comparison is with what, for the present, is the result of the shop steward movement in Great Britain, of which we have had some accounts in this country, including some which are palpably misinforming. Where these accounts are misinforming, they are at fault—except where they are intentionally misleading—because they render their picture mainly on the basis of the early stages of the shop stewards' movement and very largely neglect the shop steward system established or in process of establishment.

The events which led from an inspiring movement to a more or less achieved establishment took place at Coventry, England. Coventry has long been a center for the manufacture of bicycles and during the war became one of the chief centers for the production of aircraft. It was a strike of some 50,000 aircraft workers, turning upon this very question of the place and function of the shop stewards,

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