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MAKES
WORKERS
WORK



by James F. Lincoln

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WHAT MAKES WORKERS WORK

is essentially what James Finney Lincoln, President of the Lincoln Electric Company of Cleveland, Ohio, said in an address delivered before The Canadian Club of Toronto. The "Question and Answer Period" following the text gives the reader further information on this vital subject. The manuscript has been published in this convenient format from the original stenographic notes taken in Toronto.

A more complete account of the why and how of "Lincoln's Incentive System" may be found in a book with that title published by the McGraw-Hill Company, New York. An announcement of this significant contribution to the field of Labor-Management relations will be found on the back cover of this brochure.

* * *

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WHAT MAKES WORKERS WORK

by

JAMES F. LINCOLN

I WANT to talk to you today about what makes Workers work. I want to start out by stating what it is that keeps them *from* working at the present time. A revolution has occurred in Labor-Management relationships. The old method which was used by Management in its control over Labor has largely disappeared. Perhaps we are glad it has because it removes that element of fear which was the thing that heretofore has been used to make Workers do what Management wanted. That lack of fear has not been replaced by any other means whereby obedience and cooperation can be forced.

As a matter of fact we have found that Government has given Labor certain advantages which eliminate to a very large extent the things which have forced Workers to work. I am speaking now of unemployment insurance, old age pensions, and all the other things which make it unnecessary for a man to work unless he wants to. There is not much real love for effort as such, and many people react to this kind of patronizing very enthusiastically. Therefore, we have a reduction in the efficiency of Labor which is extremely startling.

I happen to be in the electrical business. I asked a group of electrical manufacturers this question: "What is the productivity in your organization now as compared to what it was before World War II?" In reply, the highest estimate that was given to me was 75 per cent.; the lowest estimate was 30 per cent. Whether there was any feeling mixed up with those estimates or not, I do not know; but those were the answers:

MANAGEMENT AND MEN

Government has attempted to step in in order to get an answer for this lack of enthusiasm. The Wagner Act, for example, was supposed to eliminate and it was said that it would eliminate any friction between Management and Men. It was found, however, that it did just the opposite. It set up on one side of the table a group of people called Management and on the other side of the table a group of people called Labor. It told them to fight until one or the other gives up and the winner writes the contract.

A scheme of that kind is bound to fail. It should be perfectly obvious to any thinking man or woman that it is next to impossible to get cooperation between Management and Men by any such devise. The net result of this law and the thinking behind such a law, together with the attempts to enforce it was to lower our standard of living during the past generation.

There is only one way known where it is possible for a government to control this situation so that the worker will be forced to work. That is by going all the way to Totalitarianism in some form which might be and probably would be Communism. But that is not the American way. Totalitarianism was the German, the Italian and the Japanese way. Communism, or some variation of Communism such as State Socialism, is the Russian way. The unfortunate thing about Russia is that with all the natural resources that any nation could possibly need, it has a very much lower standard of living than we have been accustomed to. With the mistaken idea that you can force people to do their best work by threats and liquidation, or by starvation uppermost, I do not think we can expect the situation in Russia to improve to any great extent.

FEAR — NO SOLUTION

I think we have had enough experience to know very well that fear of anything does not bring out in the individual the best that he has and I do not believe that there is any plan whereby fear or any form of fear can ever be used to get the best out of the individual. It therefore seems to me that if we are going to get an answer to this problem we must approach it with a new philosophy. And, obviously, unless we can get an answer to this problem, the future will be extremely dark for all concerned.

First of all, it seems to me, this philosophy must admit one thing: *there is no such thing as Management and Men being in two warring camps*. What, I ask, is the difference between Management and Men? No one yet has been able to write specifications of what is Management and what is Men. We have had the difficulty in these United States of trying to determine whether foremen are Management or Men. Sometimes our government says they are Management, sometimes it says they are Men. Then again our government says they, the foremen, have to deal with Management as Workers; other times it says that they are part of Management. Thus it is obvious that we do not or are not able to point out Management and Men as two distinct entities.

It becomes perfectly true to anyone who will think this thing through that there is no such thing in an industrial activity as Management and Men having different functions or being two different kinds of people. Why can't we think and why don't we think that all people are Management? Can you imagine any president of any factory or machine shop who can go down and manage a turret lathe as well as the machinist can? Can you imagine any manager of any organization who can go down and manage a broom

— let us get down to that — who can manage a broom as well as a sweeper can? Can you imagine any secretary of any company who can go down and fire a furnace and manage that boiler as well as the man who does the job? Obviously, all are Management.

I want to go a step further and say that all are Workers also; at least I do not know of anyone in my organization who is not. If they aren't Workers, and pretty clever Workers, they don't remain there very long. I think the same is true in all organizations.

If you believe that getting down in the morning and working from eight o'clock to five or five-thirty at night and doing all the things that Management has to do is not working, look at the people who are stricken down by heart trouble or other difficulties under the pressure. That is what we have seen in the case of tens of thousands. Therefore, it should be perfectly obvious that there is no narrow dividing line between Management and Men.

TEAMWORK NECESSARY

I wonder if there is not another way of looking at this problem which would be a good deal more important and a good deal more useful? Let us look upon any industrial organization as an athletic team. In a football game, for sake of argument, certain people have certain responsibilities, and other people have other responsibilities. Are you going to say that there you have Management and Men, or are all Management, or are they all Men? It should be clear that it is only because of the fact that the two do cooperate without any feeling of inferiority or superiority that the success of any athletic team is possible.

I wonder if we can not view the matter of Labor and Management in the same way? Let me cite this fact. At the present time men

go to a plant and work for a period of eight hours a day for five days for which they are paid. And that is the only source of income that most of them have. During those forty hours there is very little enthusiasm put into that job. But on Saturday afternoon the young fellows will go out to a park somewhere where they will have a game of baseball. They do not get paid for that. In fact they often have to buy the bats, the balls, the gloves, the chest protectors and all the rest, in order to play the game. Yet they put in it an enthusiasm a thousand times greater than in any job they ever did for money in a factory.

I wonder if that is not the idea we have to follow if we are going to get from Men the enthusiasm, the development of themselves which is so important, if we are going to get the high efficiency, which the standard of living we wish, calls for.

If we could get this enthusiasm, what would happen? In the first place men would do the best they could. They would cooperate for the best results as they do in a game, without anybody putting any pressure on them at all. They would do this because they wanted to do it.

But there is another thing which perhaps is a good deal less evident. When a man does not try to do his best he does not develop his ability. If he would develop his abilities, he must try his best to develop those abilities. He must try to use those abilities in the best possible way that he can. It is only then that the so-called average man can rise to the heights to which some have risen.

I want to enlarge on this to some extent because it is the fundamental principle which I think is of outstanding importance. It is so easy to think that we are going to have cooperation and all that sort of thing. If we do not get it we realize that something is wrong. Yet we will go along more or less successfully without it.

But the great difficulty you are going to run into is the fact that the individual does not become the greater and still greater man that he can become. It is only because of the fact that he is trying to do his very best that he becomes the great man he really can be. Thus and thus only does he develop those abilities which will make himself more useful to himself and to all mankind.

DEVELOPMENT OF MAN

I do not know of any great attempt, any conclusive attempt, any regular attempt which has been made in industry as such to develop the human being. It has been done and is being done, however, in every other walk of life. We send a man to college with the expectation that he will develop his latent abilities. We do any number of things which will help him to develop those abilities, but when he leaves college and comes to industry, industry is sadly lacking in giving him the incentive to develop those latent abilities. It seems to me that this is industry's great opportunity.

There undoubtedly have been certain attempts in that direction which I think have been, generally speaking, failures. These attempts have usually been paternalistic. We have seen so much of the feeling that if we can only give a man something as a present he will do the kind of a job that we want him to do. We have found that this invariably fails and I think we are glad that it does because I do not believe that any man reacts very enthusiastically to a tip, a gratuity; certainly not if he is the kind of a man that we want to have in our country as a citizen. For these reasons it is very doubtful to me if we can ever expect paternalism to get us very far.

However, if instead of that we approach the matter as we might in an athletic game (in which all are attempting to do the best they can) the things which are almost unbelievable will occur. As a member of a team

a man wants to do the best that he can. We have had in our company in Cleveland for some years a plan of that kind. It has operated successfully, and I want to tell you what the results have been.

RESULTS — INCREASED PRODUCTION

In the first place, *the output per man per year has increased more than twelve times.* What I mean by that is that the amount of time spent by each individual to produce a product, and remember that the product has remained the same, has been cut to less than ten per cent. of what it was eighteen years ago. We have never during that period, which has covered good times and bad, war and peace, we have never had to drop off a single individual for lack of work. It is true that during periods of stress we have shortened hours, but we have never had to reduce the number of men.

During that period also, because of the fact that the man was paid for what he did, we have been able to increase wages to the point now where the men who work on our products have over the last few years averaged more than \$6,500. per year. During that period also dividends to the stockholders have been continuous and without reduction.

The thing, however, which I think is of greater importance to the individuals involved are the satisfactions which grow from a job well done. They have the feeling of satisfaction of all people from top to bottom that they are doing a job, and that they stand up as men among men. They feel that they have outstanding skill, outstanding ability, outstanding imagination, which has made it possible for them to do something that other people have not been able to do.

After all, is that not the thing that we strive for most mightily? After all, is it money that is the greatest incentive? It certainly is

not. I cited you the athletic team. It is perfectly obvious that money has nothing to do with the striving to win that you have in the athletic game. It is the satisfaction that the individual has of showing his skill, compared to that of other people, that makes him perform beyond anything that he has ever performed before. And he performs, does his bit, not only willingly, but with great enthusiasm and self-satisfaction.

The same results will be secured if we approach this problem in the same way in industry. It seems to me that manufacturers and industrialists must approach the problem in this way if we are to have the standard of living increase as we know it should increase over the years.

Why isn't it done? It is done in athletics. Why don't Labor and Management play the game of life as the members of an athletic team play the game of football? It is done in almost every other walk of life. Only in industry we fail to do it. Why is it? It would seem to me that the primary reason is because we have gotten into a groove which is fundamentally unsound. You will remember that Labor has come up from slavery when the slave had no rights and the slave owner had all. Is it possible that we are still following the idea that the boss of today should have that right and the worker under him should not? Perhaps that is the reason. In any case the fact still remains that the greatest incentive, the greatest drive which is inherent in every individual has been all but entirely neglected in industry — even as it has not been neglected elsewhere.

Why is that? First of all, our government interferes with a program of that kind. I am speaking now as an American citizen, a voter and a taxpayer. In these United States we have the obstacle of continual sniping by the government which comes out with all manner of regulations. Our government, your and my

government, says that *no man who works with his hands can be worth \$5,000 a year*. That is the first difficulty.

The second thing I think is the fact that we are creatures of habit. We have gone along a certain way all of our lives. We know of no way, perhaps, or do not think of a way of changing that habit.

Another thing is that we cannot believe that the possibilities spoken of are true. It is a rather difficult thing for us to think that it is possible for an organization to increase its output in the production of a certain product by as much as twelve times without increasing its man-power. We cannot believe that a thing of that kind can occur. May I suggest again that you take your athletic team and compare its performance on the field with what it does when it is not playing the game.

UNIONIZATION VS. MANAGEMENT

Another thing that you wonder about is the difficulty of unionization. In these United States labor is largely unionized. There are undoubtedly certain difficulties the union leaders have in order to hold their membership in line.

Certainly the union leader has the feeling that the one thing he must have is the complete loyalty of his whole organization. If he fails to have that then he is in difficulty which will make his leadership impossible. Therefore, I think that in general the union leader has to restrict, in so far as possible, any loyalty of the worker to his company and to make that loyalty altogether one of the worker to his leader.

That may be a difficult thing for the company to overcome. It may well be difficult because of the fact that again the worker is in a groove. He has felt for a long time that Management is trying to get something for nothing from him, trying to out-think him.

Therefore, he is rather easily led to the belief and to the program of doing anything against Management.

We have, unfortunately, become a powerful nation of class-conscious individuals. We speak of the upper class, the middle class, the lower class. We speak of bosses and wage slaves and middle-class artists and teachers and doctors. We speak of those who are behind the eight ball, of those who live on the wrong side of the tracks. Yet, we are all made of the same clay. And we are, fundamentally, in the flesh, in and of one and only one class.

Nothing in this country has done as much to make us class conscious as the unionization of industry. Only through the union can the union Worker get to be in a position of dominance over Management. It is only through the union that the Worker can tell Management to go to hell and make Management take it. Yet that is exactly what has occurred, and don't forget again that that is a tremendous incentive to that individual.

But it is an incentive in reverse. It well may reduce production. It suggests sabotage, slow-downs, doodling and idling. The Worker tries to create for himself a position of dominance where he had previously been in a position of inferiority. And the union has, of course, exploited that fact to the limit.

I cannot believe myself that if any of the Workers had thought the thing through that they would have done what they did at the call of John L. Lewis; that they would have gone out and left our country in the position they did. But their loyalty was to Lewis even before their loyalty to their own family or to themselves or to us.

Now, the reason for that is plain. I say it is because of the fact that Lewis has made it possible for the Worker individually and collectively to tell the boss and everyone else to go to hell; and they like it. And that is a

tremendous incentive, but, I repeat, an incentive in reverse.

On the other hand, I want to say right here that the particular plan I speak of, which has been successful in our organization so long, is the only plan, the only scheme which so far has been suggested as a way of solving the present difficulty between so-called Labor and Management. There has been no other idea that has ever promised success with the exception of governmental domination of the individual, totalitarianism. This, in America, we will resist to the end.

MAKE THE WORKER BELIEVE

Now, the question always comes up, how do you put a plan of this type in operation? I think the great difficulty is that people have the feeling that all Management has to do is certain things and the result is assured. But I have attempted to show that the change which must come is a change in the mind of the individual. I imagine that all of you know that it is possible for two people to say exactly the same words, with exactly the same inflection, to a third person. One person would be believed; the other person would not. When a man makes a statement to you or anyone else, you immediately judge whether his statement is absolutely correct, partially correct or entirely wrong.

Therefore, the first thing to remember, in establishing a plan of this kind, is that you must make the man, the Worker, *want* to cooperate. You must make him want to become a more efficient man, a more intelligent man, a more skillful man. That cannot be done by merely talking to him, making a speech some afternoon and expecting results the following day. He has had a lot of experience with speeches. He has had it drilled into him by his union leaders and by others that industry is merely trying to get the most

it can from him; and to give him as little as possible in return.

I am not even suggesting that that is true. I am saying that that is his point of view. It doesn't make much difference what the facts are. But it is important what he believes, what he is and what he will act upon. Therefore, the first job you have got to do is to have him believe in what you are going to do; that what you are planning is going to be better *for him* than what has gone on before.

There are certain suggestions which might be made which would be of some help in installing this plan. The first is that a man must be paid for what he does, not for the amount of time he spends on the job. I believe thoroughly that a man should be paid on a basis of piecework. I believe in piecework pay because that is the only way a Worker can be remunerated for what he actually accomplishes. But that is only the beginning. It is, however, basic. It is fundamental.

The second thing you must do is to make sure that he has that same feeling that he has in the athletic game, that he is part of the team. That is a great deal more difficult to do. You can go ahead and pat him on the back and say "All for one and one for all." That sort of thing does not get across and you know it. You have to make the Worker believe and understand that he is part of a team and that all the Workers on that team are working together for a certain result; and, again, that that result is something which he is willing and even anxious to achieve. And, furthermore, when I say Workers I mean Labor and Management as peers. There shall be no class-conscious feeling as such.

On the other hand you can't go to the Workers and say: "All right, boys, let's get together so that we can pay larger dividends or larger salaries to the top people, or merely

make more money for the company." You will not get much enthusiasm from that. But there is one thing that you can get their enthusiasm for and that is fundamental in any plan of this kind. It is that the job of Industry is to serve the consumer, to make a better and better product to be sold at a lower and lower price. If you will serve your customers in this way, they have shown over and over again that they will pay very generously for this service.

SERVE THE CONSUMER

You have seen, for instance, the Ford Motor Company following this plan. They have built a small amount of money into a billion dollar concern. Why? Because Ford made a better and better product to be sold at a lower and lower price.

After all, what other reason is there for Industry's existence? What is the end result? What is it we are looking for? Why has Industry been organized? How can you justify it unless you say that the job of Industry is to make a better and better product to be sold at a lower and lower price? That is the very job for which we, as Industry, expect to be paid by the consumer. That is the first thing, it seems to me, that it is necessary to go to your men with: *our job is to serve that consumer.*

When we serve the consumer, a lot of things happen. In the first place the Worker's job is more assured. Let me illustrate it by giving you some facts that you will all understand and appreciate. During the year 1949, there were eleven and one-half million automobiles sold. Four and one-half million of these were new cars. Seven million were second-hand. Why did these seven million people buy second-hand cars? Certainly not because they preferred an old jalopy to a new model. They bought these seven million

cars because they were cheap. Is there any doubt in anybody's mind that if new automobiles sold at the price of these second-hand cars that there would have been a demand for eleven and one-half million new automobiles in 1949 and not for four and one-half million? Of course there would.

The point I am driving at is this: as your costs and price go down your market increases not in proportion to that reduction, but many, many times faster. That is why the employment of the Worker or of Industry generally will increase in the exact proportion to the service that it renders to the individual. And that, my friends, is the primary reason for Industry. If it does not do that I do not believe that you can justify it at all.

DEVELOP SELF-PRIDE

I wonder if there isn't one thing which would be of outstanding importance to this same Worker we are talking about. His desire is not primarily money. His greater, nobler desire is to be a man among men, to rise in the estimation of himself and his contemporaries. That is the greatest incentive in the world. Therefore, it would seem to me that if you are going to have this plan succeed you must go to that Worker and show him that in the future his organization is going to create for him the possibility of rising to a point fully as high as he has the ability, or can develop the ability, to go.

I do not believe that under a condition of that kind that you will have any difficulty in getting the full cooperation of the individual Worker. What is even greater — he will have the drive, the inner urge, which will make him develop his latent capabilities, his natural intelligence, so that he becomes a greater, a better, a more efficient and happier man. He will develop his imagination. He will develop his thinking. He will

educate himself so that he will become a more valuable man to his organization.

And remember, it is only because of the ideas and the abilities of men that our industrial system has made possible the enormously high standard of living which we have been able to produce. If we have been able, with the unwilling, with the entire lack of cooperation of the average individual, to make the progress we have, think how much further we can go if we add to that desire the drive, the determination of the individual to cooperate. Thus he shall be enabled to develop those latent capabilities given to him by his Maker.

I want to quote one verse of Scripture because it bears on this so completely:

What is man, that Thou art mindful of him? and the Son of Man that Thou visitest Him? For Thou hast made him a little lower than the angels and have crowned him with glory and honor. Thou madest him to have dominion over the works of Thy hands: Thou hast put all things under his feet.

That is what man is. Give him the opportunity, and he will reach his goal. It is up to our industrial leaders to see to it that our Workers get that opportunity. The inherent latent capabilities of the individual have been so far brushed aside, so far neglected, that I think that here is the greatest natural resource which this country and all countries

possess. So far it has been developed only to a very minor degree.

Full many a gem of purest ray serene

The dark unfathom'd caves of ocean bear:

Full many a flower is born to blush unseen

And waste its sweetness on the desert air.

QUESTION AND ANSWER PERIOD

QUESTION: Will you please outline, step by step, how to succeed in getting this plan started and accepted by Workers?

ANSWER: The first thing to do in my estimation is get a means of talking with the men. In our case we use what we call an Advisory Board. That Advisory Board is made up of one man elected from each department by the Workers in that department. The foremen also elect a foreman representative, and the superintendents of the factories, plus myself, make up the Board. You notice there is a great deal more representation of Labor, so-called, than there would be of Management.

That is the first thing to do. Then you have a means of actually talking to the men.

The second thing to do after that is to pay the men for what they can do. You can with this Advisory Board outline the plan to the Workers so they will understand what the program is. The next thing is to pay them for what they produce.

On that there is some objection by the men because of the fact that piecework has many times resulted in the man not getting a square deal. I have frequently seen piecework start this way. You would look at the record the man has made and say: All right, he has been earning about ten cents apiece for those. Now we will pay him ten cents apiece for all he can make. Now, if the man starts out with the idea he is going to get ten cents apiece for all he can make, then he is going to start in, first of all, to increase his skill. He is going to find better ways of doing the job. He will find better ways of machining or jigging, or whatever

it may be, and he will all of a sudden come up with two or three or four or ten times the earnings he had before.

There comes your real problem. What are you going to do because perhaps some other man cannot carry it that far. The net result is that some men are being paid many times what others are being paid who are working just as hard. Therefore, if you are going to put in piecework you must do this. You must be able to establish your piecework price on the proper method of doing the job. That is Management's job. They must first of all lay out how the job is to be done, get it properly tooled, properly organized, so they know what the man would earn, then pay him on that. Put the price where it should be. Under those conditions his earnings are going to reflect his ability. That is the second thing to do, in my estimation.

And the third is this, and this is the most important and perhaps the most difficult. You have got to find some way of having him part of the team. We do it by going to the man and saying: Here is the job as we have it here. We are going to continue to reduce cost. That is what our job is, but when the end of the year comes we are going to cut you in on what we did.

What we do then is this: at the end of the year the first thing we do is pay the dividends, because we say that the wages of Capital are just as much a proper charge as the wages of men. Therefore the first thing that is paid is the dividend. The second thing to be done is to make the progress of the company assured. Therefore, the Board of Directors set aside the amount of money which they believe must be set aside in order to assure the progress of the organization. Then the rest is divided among the people on the basis of their contribution to the success of that year's operation — their contribution. Now, it goes from the bottom to the top except that I have always cut myself out. I have never taken a dollar. I don't think it was necessary, I am very sure it wasn't necessary, but I wanted to eliminate any possibility of feeling that I was feathering my own nest. But that is the way it has been done and that is the way the thing proceeds.

Now, the difficulty is to make the men ap-

preciate first of all the fact that the job of industry is to serve the customer and as progress is made, a lower and lower price is to be handed on to the consumer.

Once they understand that they will go along with the idea very enthusiastically, much more enthusiastically than they will if they just think they are trying to make more profit, because after all most workers feel there are more profits made than there should be anyway.

QUESTION: Could the incentive system be as well applied to a business in which no manufacturing is carried on?

ANSWER: Most assuredly. After all, what this incentive system is for is to get the group to work together as a team to produce a result useful to someone else. Now, that is your foundation of the whole thing.

Could I, perhaps, illustrate this way, and I have used this illustration a number of times. I think that your incentive system in industry could be compared to that of a husband and wife bringing up a family. You can stop and say: "Well, we can lay down rules. This is what the husband is to do, this is what the wife is to do. This is the responsibility here and here." You know perfectly well the human race would disappear if that sort of thing were true in the family. It is only because of the fact that the husband and wife are willing to sacrifice anything for the good of their children that the human race continues.

Now, the same sort of thing to a considerable extent can be engendered into an organization if they feel that what they are doing is worth while and is of value to other people than themselves. Of course at the same time, as they increase their skill, as they increase their service to mankind they ought to have a greater income because of that. The reward ought to come to them also.

QUESTION: Would you please explain how you would include office employees under your compensation plan? What would be the work unit?

ANSWER: In the first place with the office people the same problem would be true in the case of a toolmaker, a diemaker, a main-

tenance man. There are hosts of jobs which cannot be put on piecework directly. But you do have in the case of all those people certain supervisors who know what they are doing. In other words, the foreman of the department or the head of the office knows perfectly well what the contribution of each person in his organization is and we use his merit rating as a percentage figure which is used for determining his particular cut in the bonus. That is a perfectly simple way of doing it and what is more, that is the way you determine what wages are to be. You give the man who does the better job a higher wage. All right. Under exactly the same conditions he should have a larger cut in the particular bonus.

I do think this is important, that you do not get down into a particular percentage which everybody gets every time. The important thing is to reward him for what he did that year, so that his actual contribution for that particular period would be reflected in his cut in the bonus.

QUESTION: How is the incentive system reflected in the private lives of Lincoln workers? Are there fewer divorces? Are they more active in church or social work? These questions are in a comparative basis as against workers in similar jobs in other companies.

ANSWER: I am awfully glad that that question was asked because I think it is the "meat" of the whole theory. Let me ask you this? Supposing here is a man who feels because of his skill, because of his imagination, because of his development of himself, that he becomes a more able individual, what do you think would be the result in the psychology of that individual? Of course he will have a greater respect for himself. The other side is that with the greater income those people in our organization, almost without exception, own their own homes. That is, people there for any length of time own their own homes, they send their youngsters to college. If you want to put it this way, although it doesn't reflect the proper attitude, they are a higher cut in society. This is not a proper way of saying it at all, but they have risen in their position in the world. That engenders self-respect. That engenders a great many things which make them more valuable members

of society and certainly tremendously more happy individuals.

QUESTION: Do you believe the policy you have adopted should be the basis on which all employees are employed? If so, what would become of the union movement?

ANSWER: I believe very thoroughly that the Union *as we now have it*, would and should disappear. I do not believe, however, that organization of the workers would disappear. I think it would become more important and would be the foundation from which most activities of the worker would emanate. In other words, supposing that the union came in and instead of limiting output, instead of doing everything to hold up production, doing everything they could to make the operation less efficient, take the other attitude and say, here, our job is to make our men more skillful operators, to increase their knowledge, their technique, their skills, their earnings. Now, we can come in to you, Mr. Manufacturer, and give you a group of men who are skilled in this particular line of yours, who will do everything they can to progress in this activity, who will do everything they can to make the operation more and more efficient. What do you think would happen then? In the first place, the attitude of the worker would be what it should be. That is, his job is to do a better and better job, to produce more and more, to make it cost less and less.

What do you think would happen then? In the first place the Union would be the one thing that Management would first go to. He would not object to it. He would not be able to get along without it. And the other side is, you would have not only the Union and the man, but all people would be developing the individual into the kind of individual he should be, to be the greatest value to mankind and to himself.

QUESTION: Does your point about interest in athletic games apply universally to professional athletics? Do you have or believe in automatic merit rating to ensure reward for merit? Do you favour standardized grievance proceedings in non-union plants?

ANSWER: In the first place, it is obvious

that professional athletes do not have the same incentive that amateurs do. Therefore, many of the abuses which you have in industry crop up occasionally in professional athletics. There is less of that because a man does not succeed in professional athletics unless he does his job, because the spectators just won't go along with him. In the case of amateur athletics, it is obvious the attitude is different than it is in professional.

I don't know what you mean by automatic merit rating. I say this: I think merit rating is so essential that it is one thing you must do. That is the one reason why piecework, properly applied, automatically rewards the man for what he does. That I think is very essential, rather than waiting for somebody else to recognize his ability, which may take a long time. But with piecework properly applied he automatically and immediately gets the reward.

Standardization of grievance procedure — I don't know what a grievance is, as such. I will say this, in the meeting with the Advisory Board if anything that bothers anybody comes up, it is automatically taken care of. If there is a draft, or the light isn't rigid, this or that is wrong, of course we want to hear about it and take care of it immediately. I don't know of grievances as such. I doubt if we have such a thing. I doubt in an organization of that kind if you do get grievances, as such.

QUESTION: Do you think it advisable to make workers shareholders in your company?

ANSWER: I think there is the possibility of automatically making the man again feel a member of the team. If he owns part of what he is dealing with he will have a still more enthusiastic point of view toward it than if he doesn't. Over half the people in our company are stockholders in the company, not because we have tried to make them so. In fact, in order to buy stock they have to pay for it in one year. They also must get the okay of their superior. If their superior does not feel he is the kind of a man who ought to be a stockholder he just isn't sold stock. Generally, it is only in case a man is on his way out, or has to leave, or some such thing as that, that would cause that kind of thing to occur. We do not try to sell the stock to the men. It is a privi-

lege which we give them. The selling price of the stock is the same and if they leave the company they must sell it back to the company at the prevailing price at that time, because we want to have the stock in the hands of the people actually in the organization.

QUESTION: How is quality controlled when production is increased with piecework?

ANSWER: In the first place, the man has to guarantee his work. If the work is not up to standard, he has to make it good on his own time. That is obvious, and I would say there is less difficulty in controlling quality in a case of this kind than under the usual shop methods.

QUESTION: We have an A. F. of L. Union strongly entrenched. The men do not believe in piecework. How should a firm attempt to overcome this in installing a similar system to yours?

ANSWER: I would suggest one thing regarding piecework. It is a plan we used ourselves with a considerable amount of success. We started this some thirty years ago. There was no union, of course, and perhaps our problem was somewhat less difficult than would be true at the present time with a union in a prominent position. We went to one man in a department and said to him: "We believe that you would be much better off if you worked on piecework. Would you like to try it?" He gave the usual objections — piecework is always objectionable to men — but he said: "Sure, I will try it." He was put on piecework. He almost immediately started to earn considerably more than he had before and our difficulty from there on was not a matter of trying to get piecework put in, but all the men in the factory immediately came back and said: "How is it that Whitey Baker can get a lot more money than we can?"

I said: "He is on piecework." "Why can't we go on piecework?" they asked. That is the way we did it.

QUESTION: Is it your opinion the worker spends his income of \$6,500 a year wisely?

ANSWER: The worker is like anybody else — because we are all workers one way or another. I think they spend it wisely in some

cases and in some cases they don't. I will say one thing that in getting the bonus they get the check at one time. As a matter of suggestion, we have always said we think the first thing they ought to do is to buy their own home — get that entirely free from debt. Then if they want to go ahead and invest in something else, all well and good. The first thing is buy your own home. Understand, there is no pressure as far as we are concerned, we only suggest that. In general, they do that.

By the way, the bonus for ten years has amounted to more than a hundred per cent. of their wages. When a man gets a check that big it makes him a little thoughtful. If he got that in twenty-six different checks during the year he would be very apt, perhaps, to raise the standard of living to that point, but when he gets that check at one time, knowing its purpose, his attitude toward it is a lot different in our experience than would be true if it merely was an increase in the wages week to week, and I will say in general the money is, I think, very intelligently spent.

QUESTION: How do you overcome the opposition of Unions for your plans for betterment?

ANSWER: I am not sure I understand the question — for betterment of what? Do you mean betterment of the whole setup? We have no Union in our place. We have never made any attempt to keep them out but the men just don't want to unionize.

I would like to tell two stories about this. I think it is rather indicative. Back in 1936 when unionization was going forward very rapidly, I came into the factory one Monday morning and had to face two picket lines in order to get to the factory. We had an Advisory Board meeting that afternoon. I said: "Seemingly, a lot of people want to unionize. Maybe you would, too. If you do, I have one suggestion to make. Our setup is somewhat different than in most plants — let us make sure if you do unionize that you run your own union, because I don't think the people outside fully understand what we are doing."

Nothing happened for about ten seconds and finally one of the men at the back of the room said: "Mr. Lincoln, you leave those..... to us and you won't have any Union."

I didn't see that I could go any further.

About two years ago there was another rather funny thing happened. There is a yard alongside one of our factories where a number of the men in the summer time sit out and eat their lunch. A Union organizer from the C.I.O. came out and handed out some handbills saying that an organizer would be around to talk to them the following noon. I didn't know anything about this until some time later — I was out of town at the time. Well, the following noon the organizer came. Our men had wheeled out a big engine-driven welder. They removed the muffler, and when the fellow came in sight they short-circuited this welder with this 75 h.p. engine. There was so much noise they couldn't hear anything he said. Our men kept on doing that while the organizer started to yell and curse and so forth. Anyway he quit and went away.

QUESTION: How successful has the Lincoln plan been in the Canadian, Australian and the United Kingdom Lincoln Electric plants, as compared to the American plant?

ANSWER: Well, in the case of the three plants mentioned, they are comparatively young organizations. They have been on the system a shorter time. I think the results are parallel to what occurred in the American plant during the same period of time. I think they have been very successful. I know the attitude of the worker toward Management and toward his job is very friendly and very profitable.

QUESTION: How do you meet the problem of reduced rewards to a worker on a piecework system occasioned through no fault of his own, such as shortage of materials, machinery failures, etc.?

ANSWER: There, again, you have the attitude of mind of the individual. The answer to the question is we have no trouble at all. It is just unfortunate if the material is short—a man will come in and sometimes work only an hour or two, then have to go home again.

Here is a better illustration. When a new man is brought in to go on a particular operation the man already on that operation is given the job of teaching him, getting him started. When the old employee goes on the

job of teaching the other fellow, he goes on his day rate, not his piecework rate, which means he is taking a considerable cut in his income during that period of teaching the other man. That is done with a very considerable amount of enthusiasm because of the fact the man feels he has been picked out because he is the best man for the purpose to do that job.

I think that is the best illustration of the state of mind of the individual toward that particular limitation. Now, this is true, a man who is helpful, obviously, would be rated higher than if he were not helpful. Therefore, theoretically, it would show up on his bonus at the end of the year, but it is my belief, though I cannot prove it, that the man would have it that way because he feels that is the sort of thing he wants to do.

QUESTION: What is the workers' attitude toward salaries paid Top Management? How do you win their acceptance on this?

ANSWER: I think that is a good question too. I want to say we believe Top Management is a very important part in the success of any organization and it is very well rewarded in our organization. I can say to you that bonuses of as much as \$50,000 a year have been paid to Top Management. Remember, I am not one of those that get it because I don't get a cent. I say those men believe thoroughly that this reward is well earned. I have never heard one objection in all my life to the income of Top Management.

I might say I have yet to have anyone in the organization who has ever objected to the size of his bonus. We have had this, however. They come in to me and I get this: "I am not kicking on how much it was—that is alright—but Bill got so much and I think I am a smarter man than Bill."

My answer is: "If you demonstrate that you should get more than Bill does, fine, but I think Bill is going to try to beat you."

QUESTION: How did you sell your workers on the desire to do their best and what role did, and does, the foreman play in that matter?

ANSWER: Well, understand this thing has been under way for many years. This Advisory Board thing started in 1914, and the bonus

end of it didn't come along until some time after. We didn't see the point up to that time. Since then we have continually tried to sell the people on the idea that here is the way in which greater rewards for all concerned are possible, and the reaction to it has been universally good.

I might say that this Advisory Board I spoke of first is extremely important. The kind of people that are elected on this Advisory Board are always the toughest people in the department because the Workers want somebody coming up there and telling the boss off. That is human nature. The nice thing about it is that this is ideal, because of the fact they will always say what they think. They will always do what the people who elected them expect them to do and they always, after they have been on the Board for a year, are very much in favour of and very enthusiastic over the whole thing.

QUESTION: What opportunities of self-development and promotion have you been able to offer to your several thousand employees?

ANSWER: We only have about a thousand employees, but every advance comes from within. Every job is there for the man who can win it. Under no condition will any favoritism be shown on that. Our judgment may be wrong, but the effort is always made to advance from within and no other measure determines who rises. I think that is absolutely essential. If any favoritism is shown, the whole thing fails. Not only that, it is dishonest.

QUESTION: What do you tell your employees about the Company's performance?

ANSWER: I tell them everything they want to know. There isn't a secret in connection with the Company. Now, the funny thing is, there is a good deal less asked than I would expect. Every year we show every dollar of income and where that dollar went. That is sent as a report to the residences of each one of the Workers. They have that so they can study it as long as they want to, but during the year or any time there are no secrets in the organization. Anybody can know anything about anything in the whole setup. The funny thing about it is, there is very little questioning of that kind.

I might tell something which I think is rather indicative. I have always maintained costs and selling price in a certain proportion. As our costs went down our selling price went down in the same proportion. We depended on the added output of the company to be the thing which would be the profit and the bonus result. There was a time some two or three years ago when the price should have gone down. I said to them: "Obviously, if we reduce prices now the amount of the profit will be reduced. If the profit is reduced the bonuses will be reduced. I would like to get your opinion what I should do. I don't say I will do what you say, but I would like to get your opinion."

Finally, somebody said: "Mr. Lincoln, you have been handling this thing successfully over the years—it seems to me that is a Management matter which should rest in your lap."

QUESTION: Is it not true that if we had not had the leadership of labor unions we would still be in the throes of barons and serfs?

ANSWER: Well, I can't answer that question categorically. But I will say this, it seems to me that we are experiencing at the present time a revolution in which a new setup is bound to come out. It can go either way. It can go the way that Russia went, or it can go the other way, the American way, in which men produce and work because they want to, because they feel it is the thing to do. I don't believe there is any doubt, we are bound to go one way or the other. The old idea, the thing that was previously true that Management can hold over the head of the worker the possibility of starvation or the possibility of an extremely low standard of living is a threat which I do not believe is going to come again. At least if it does it will come only to a relatively limited extent.

QUESTION: How can bonus or piecework system be made operative in general engineering work in which no repetition is possible?

ANSWER: I don't see any difference between an engineering job of that kind and engineering done in an organization such as ours. There is no way you can put engineers on piecework if they are doing original work.

Yet we are able to have incentive in our own organization. You can do the same thing in any other organization and it would seem to me if you had a group of engineers, and I think it would be particularly true there because you are dealing with ideas, if you have a group of engineers that have the proper attitude toward their job they are going to develop ability away beyond what they have normally. Under the setup which so frequently occurs the man down the line feels he is merely a draughtsman or a routine worker whose ideas are not part of the organization's stock and trade, and it would seem to me that an engineering organization would react to a plan of this sort even better than would be true of a manufacturing organization, where duplicate production is used.

QUESTION: If you retain complete free enterprise so that workers at the bottom would not get a living wage, is this not too high a price to pay for your system?

ANSWER: Of course the point I am trying to make is this, that what you think of as Free Enterprise, what the questioner is thinking of as Free Enterprise, is this — that we return to the setup where fear of losing your job is the incentive that causes a man to work. I believe that is outmoded, not because of the fact that fear is a bad thing, but because of the fact that you are not getting the results. You are not getting the income, you are not getting the satisfaction which you get with the other setup. Therefore, I think we are going to go to the other setup, not because we are forced to, but because through that comes the greatest satisfaction, the greatest profits. I do not believe that the idea of fear with its relatively small productivity, relatively small profits, with its relatively small satisfaction, will ever come back to the point where it was before. I am suggesting this, not because of the fact that you get less. I am suggesting it because it is tremendously profitable from every point of view, financial and, what is more important, in personal satisfaction.

QUESTION: Do you not think an incentive bonus on the piecework basis causes jealousy among workers, and some people feel their standard is too high?

ANSWER: In the first place I can say this, that jealousy, as you refer to it in this case, is unknown in our plant. I want to give an actual case in point, because I think it illustrates the point of view the questioner has. There is a particular job I happen to know about in our organization in which there are two shifts operating. One operates for eight hours, and another steps in and operates for the next eight hours. During the particular period of some months, the first man had an average of \$1.86 an hour. He merely stepped into the same place as the other man. The other man made an average of \$1.26 an hour. I can say to you that the fellow who made the \$1.26 was not jealous, he was not against the other. He was trying to emulate that man with the \$1.86 and he was saying: "How do you do it? Can't you give me any help so I can do the same thing?" I have yet to find anyone earning in large measure but that the others were trying to emulate him, were trying to get help so they would be able to get the same thing, rather than coming around and saying that man is getting too much.

QUESTION: How could you maintain take-home pay with reduced hours during depression times?

ANSWER: I don't know of any way you can. I think in depressed times everybody is going to suffer. During 1932 in the United States there was a total loss to industry of something over 6.5 billion dollars. Well, industry suffered, everybody suffered. I think during a period of that kind everybody does, but I want to say this, when you have a setup in which the efficiency of production is as I have outlined here it makes possible a lot of things which are not possible otherwise. We can sell our product in any country in the world. We can pay the duty which we have in some cases up to around eight-five and ninety per cent., pay the transportation and go over against home industry and sell in competition with them and make more money out of it than they could in the United States. That is true of every country in the world. My point is this, under those conditions the chance of running out of work, of not having a backlog of orders or of having to shut down and shorten hours, is tremendously less than it

would be if those advantages were not inherent in the setup.

QUESTION: How do you deal with the employees whose ambitions far outreach their capabilities?

ANSWER: I don't think there is anybody of that kind. I think if a man is ambitious, that is one of the finest things he can possibly be. We would say to that man, go as far as you like, the further you go the better off for all concerned. I don't think ambition with intelligent people outruns their chance for advancement.

QUESTION: If your plan is so good, why isn't it put into practice by more people and more firms?

ANSWER: Well, I don't know. Remember that habit has a lot to do with our actions. We have gone along a certain way for a long, long time, and the hard thing for us to recognize in our organization is the possibility of doing any other way than we have been accustomed to. I think it is a hard thing generally for people to recognize the one fundamental fact that a man doesn't work for money itself. He works for self-respect, respect of his contemporaries. I don't believe very many industrialists have thought through the fact that you pay a man five days for working and that is all of his income and certainly every opportunity is there to get all the enthusiasm in the world, but he has very little enthusiasm for it — yet he will go out and play a game of baseball and put into it ten thousand times the enthusiasm he ever did on his job. Since that is true, isn't it obvious there are tremendous untapped possibilities industry has in order to make true in their own organization that same sort of incentive? It is obvious if we can only tap that same thing, make the man as proud of his ability to out-produce this other fellow as he is of his ability to make a hit, instead of flying out or striking out, we will go a long way.

QUESTION: What is the number of people applying for employment in your company?

ANSWER: I have no idea. We have a tremendous backlog. We always attempt to take the people who have had relatives there or friends that recommend them to us. We find

that those people are very apt to be better than anybody else, but we have never had a time that we didn't have any number of people who were asking for employment.

QUESTION: How do you pay piecework to night watchmen?

ANSWER: We don't.

QUESTION: Have you a pension plan?

ANSWER: We have a pension plan which was one of the things attacked by the Government. We put in a pension plan in 1936 in which we bought annuities for everybody in the organization and have continued it up to the present time. We took it up with the Treasury Department. This seems almost unbelievable. In 1936 we told them we would like to do it. They said that was fine. They called me up and told me what a forward-looking individual I was. We bought back annuities in 1936 and 1937 for all the people in the organization, so all the annuities have been paid for all the time they have been there, so the amount of money spent in 1936 and 1937 was large. We paid it and for 1939, 1940 and 1941. In 1942 the Treasury Department said: "No, we are going to charge the whole business back to you." We have already paid \$2,000,000 on that.

QUESTION: You state production per man multiplied by twelve. To most industrialists this seems a large increase. To what extent is that accounted for by improved machinery?

ANSWER: To a very large extent it is the result of improved machinery and techniques, but don't forget those are the result of incentive. We are doing things that cannot be done and have not been done by industry generally. Remember, it is the incentives that have developed the methods, new techniques, better skills, the desire to do a better job. And one other thing of considerable importance. That is this, you don't have to have an organization to watch the men, to see whether they are doing the work or not. You don't have any of that in there at all. The men come in wanting to do their job. You don't have to have somebody to see that they do it.

QUESTION: What does Lincoln Electric do for the long service employee who has been on

piecework and has now begun to slow down?

ANSWER: That man will be retired, when he gets to the end of his work life, on a pension.

QUESTION: Does Lincoln cut piecework prices and if so under what circumstances and with what safeguards to the employees?

ANSWER: Never did, or never shall cut a piecework price of a man. What you have in mind is this, obviously — if you are going to make progress in development of methods you will reduce your cost. You are going to have newer methods and different methods for doing a job. Obviously, when the newer method comes in a new price is put on them and the old job disappears and a new job takes its place. In that case the piecework price is put on the new job. I can say never did or never will Lincoln Electric Company cut a piecework price and you can't do it if you are going to do this job.

QUESTION: What effort would you employ to offset the policy of the unions to hold quantities down to a fixed amount on the assumption that higher production will bring down the piecework rates?

ANSWER: That of course is the thing you have got to do. You have got to show them the economics of the setup. I think it is one of those things that takes time. The vast majority of workers believe the less they do the longer their job is going to last, but you and I know that is as false as anything can be. Even after most workers have been told that enough times they will still not believe it. The only way you can show what the facts are is show what the results have been and I can show our people those.

QUESTION: Does the fact your organization is not unionized result in any refusal of unionized employers to use your product?

ANSWER: No difficulty to date.

QUESTION: Does the average annual figure of \$6,500 per worker include salary, bonus and dividends.

ANSWER: Salary and bonus — not dividends.

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