

THE LABOR SYSTEM OF THE JOHN B. STETSON COMPANY.

The labor situation being part of the industrial situation as a whole, it necessarily changes as that develops. So no system of dealing with labor is of great permanence and no system is capable of general application without some, generally great, modification to suit it to local conditions. Every concern of importance experiments with new methods, until it finally evolves a plan from its experience which is more or less completely enforced in treating with its employees.

The John B. Stetson Company of Philadelphia is a stock company capitalized at \$4,000,000 and organized to engage in the manufacture of fur-felt hats of the finer grades. While the scope of its product is thus limited, the quality desired in the product has demanded, and motives of economy have urged the incorporation in the company's plant of various subsidiary industries usually operated as businesses independent of hat-making proper. Chief of these operations which the John B. Stetson Company has added to the numerous operations of the hatter are the making of machines, the cutting of fur from skins imported in a raw state and the preparation of the fur for the felting process, the weaving of silk into bands, the cutting of hides into sweat leathers, the printing of dies on the leathers, and the making of boxes. In the aggregate the manufacture of hats becomes a complicated process requiring labor of many diverse forms. The labor is divided among about twenty-four hundred employees, of whom nineteen hundred are male and five hundred female. All but one hundred and fifty are over sixteen years of age and this number comprises sixty-nine boys and eighty-one girls.

The objects sought to be obtained by the application to this body of the labor system to be described may be thus outlined :

1. The accomplishment of work of the best quality possible.
2. The accomplishment of work in quantity to meet the demands of the business.
3. The accomplishment of work at such cost that the product will be profitable.

[445]



4. The maintenance of working conditions as healthful and agreeable as possible.

5. The encouragement of personal interest on the part of the individual employee in the business as a whole.

6. The promotion of the general well-being of employees through institutional establishments.

These objects are not co-ordinate, as there is an important bearing of the last three upon the first.

Unskilled labor and mere machine operation occupy comparatively few of the employees of the company. The work of the largest and more important departments requires skill of a high degree. Experience has shown that this skill can best be acquired by having boys taught in the departments themselves. To this end the force is recruited almost entirely by means of apprenticeship. The elasticity of the working force necessary to meet the demands of the business is maintained by the extension or restriction of the number of boys indentured. Shorn of its quaint phraseology which recalls the mediæval guild, the principal provisions of the indenture are: (1) Service on the part of the apprentice for at least three years; if he be under eighteen years of age, until majority. (2) Obligation on the part of the company to furnish necessary instruction. (3) A wage of two dollars a week. In practice the company pays the apprentice after the first year on a piece-work basis by which fair efficiency earns an amount far above the stipulated sum. At the termination of the period of apprenticeship each employee who has faithfully fulfilled his obligations is given a sum amounting to one dollar for every week served, a sum ranging from \$150 to about \$300.

The primary result of apprenticeship is a high order of skill in a special line of work. In addition the long period of service tends to create a feeling of personal interest on the part of the employee in the interests of the company. A permanence and solidarity of the working force is attained impossible under any other system. Having thoroughly learned his trade in making Stetson hats as an apprentice, the journeyman is very unlikely to leave the employ of the company when his indenture ends. Furthermore, the system discourages the migratory habit so common among workmen, a habit of moving from shop to shop for little reason, which is destructive in its tendencies both to discipline and to good work.

The system of promotion is based upon the same idea. Practically all the journeymen have learned their trade as apprentices of the company. From the ranks of these men it is the policy of the company to fill the higher places. The great majority of the foremen are men trained from boyhood in the works who show special skill and ability to be leaders of the other men. This promotion from within is a strong incentive for the ambitious employee to faithful and efficient service, and likewise tends to the same solidarity of interest or *esprit de corps* as results from the system of apprenticeship.

The separation of races is another interesting feature of the organization of the labor force. The different kinds of work embraced in the business have appealed to different classes of workmen. Some require a considerable mechanical skill or manual dexterity. These appeal to Anglo-Saxon intelligence and quickness. The same reason causes them to dislike mere labor or labor coupled with unpleasant conditions such as in the "sizing" and "blocking" departments where almost constant labor in very hot water is required. It was found necessary to draw from different sources for this supply, and the races of southern and eastern Europe were found most available. These departments soon became characterized by the large majority of such people employed in them, and race antipathy was sufficient to stop further entrance to these departments of other races. The interests of discipline and efficiency demanded recognition of the mutual antipathies, and in the interest of harmony certain elements are now confined to certain departments.

Aside from the general plans outlined, there are certain specific schemes, adopted from time to time by the company, for the protection or encouragement of employees, which are partly benevolent and philanthropic in their nature, but which also have a value disciplinary in a broad sense. It is the policy of the company, so far as possible, to encourage the employee by his own achievement to make his way, to help himself, and to provide himself against the needs of old age. The company furnishes the opportunity which takes the following eight forms:

1. *Prizes for apprentices.*—In connection with the celebration of Christmas it is the custom to present to the employees gifts in various forms of considerable value. They are made as rewards of

merit, an exact record being kept of the quality and quantity of the work of each apprentice as the basis of distribution of prizes ranging from five dollar notes to watches of a value of fifty dollars. Last year two hundred boys participated in the lowest award and forty in the highest, with various numbers in the intermediate classes receiving prizes of ten and twenty dollars, 90 per cent of the apprentices participating. Special prizes of still greater value were given to apprentices for particularly good records, including money and paid-up shares in the building association.

2. *Bonuses for faithful work.*—In departments where foreign workmen are largely employed, the proverbial uncertainty of hatters and the irregularity with which they worked led the company to the adoption of a system of bonuses paid at Christmas to the men who had worked continuously and faithfully throughout the year. The first year of the operation of the plan, 5 per cent of his earnings for the year was paid to each faithful journeyman. About 20 per cent of those to whom it applied earned the bonus. The two following years 10 per cent was paid to an increasing proportion of the men. Last year the percentage was increased to 15 and about 90 per cent of the men had worked with sufficient fidelity to participate. Altogether it must be pronounced successful, although it should be added that some men, who for the sake of the bonus were able to control themselves on Saturday throughout the year, were unable to do so on Christmas.

3. *Building association.*—The John B. Stetson Building Association is intimately connected with the manufacturing company. It was organized to encourage thrift, to spread home influences, and to increase the permanence of the working force. It has a large membership, of which over 50 per cent is drawn from the employees. Fifteen per cent of the male adult employees now own their homes.

4. *Savings fund.*—Thrift and economy are encouraged and hoarding discouraged by the maintenance of a savings fund in which 5 per cent interest is paid. Any employee may deposit to the extent of ten dollars per week. Over three hundred employees now have accounts in this fund.

5. *Stock allotment.*—In 1902 the company placed at the disposal of the president, to be allotted to employees, 5,000 shares of its increased common stock of a par value of \$500,000. This stock is

placed in the hands of trustees for the benefit of the employees to whom it is allotted. No payment is made by the employees. The shares are to be paid for at par virtually by their own dividends. At dividend periods an amount equal to the dividend on the shares allotted, less 5 per cent interest on the unpaid balance on the shares, is paid to the trustees and applied by them to the payment of the par value of the shares. The employee at his option may draw annually from the dividend not to exceed 5 per cent of the par value of the shares allotted him. At the end of a period of fifteen years, if paid up, the shares are to be transferred absolutely to the employee. If paid up before the end of this period the entire dividends are to be paid to the employee until the end of the period. If the employee is discharged or voluntarily leaves the employ of the company during the period, he is paid the par value of the shares paid up at the time. If he is disabled or dies, to him or his estate is transferred the number of paid up shares. As the market value of the stock is much above the par value, the latter method of settlement gives a greater value. A desirable form of insurance is thus created. About one-half of the 5,000 shares have thus far been allotted to about two hundred and fifty employees in amounts from five shares upward.

6. *Beneficial fund.*—The company maintains a beneficial fund by a monthly assessment not exceeding twenty-five cents on each employee. Deducting a small amount paid for the services of a physician, the whole of the sum collected is paid in benefits. Adult employees incapacitated for work by illness or injury are paid five dollars a week. In cases of death the sum of one hundred dollars is paid. During the last year, 381 employees received sick benefits from the fund in various amounts up to twenty-five dollars and payments were made in thirteen cases of death.

7. *Pensions.*—A system of pensions for aged or disabled employees has been instituted. Its scope, however, is very limited at present, owing to the youthfulness of the business and the fact that cases of need among old employees are rare.

8. Besides the above a number of institutions have been established of a more usual and general nature. A mission organization has for many years been maintained by the company. The plant includes a hall with a capacity of 2,500 used by a Sunday school, week-day meetings, a musical society and various organizations,

religious and social. A free circulating library is operated in connection with the Sunday school. A hospital and dispensary is maintained, the history of whose work with limited space and facilities is very creditable. Its benefits are not confined to employees, but are open to all and treatment is free in cases of need. At the present time the company is engaged in building a thoroughly equipped modern hospital building to meet the needs of the neighborhood.

The whole object of these schemes has been the protection and encouragement of faithful, efficient service and personal well-being and honesty on the part of all employees. They are all the result of the practical knowledge and experience of the company's management. The success of the company depends entirely upon the ability of the officers in managing it. The most important element of this is the operation of a successful labor system and that depends upon the establishment of confidence on the part of the laborers in both the ability and fairness of the officers. The constant effort of every department is to reduce the cost of its output. How this is done is a most important point in the maintenance of the complete confidence which has been established. It may be done in three ways: By reducing the cost of labor, by saving on the material, or by obtaining higher efficiency in the production. The fact that the foreman usually has grown out of the labor class should be sufficient to restrain him from unfairness to it, but a sharp watch is kept to prevent the possibility, and complaints are always investigated. A boy or girl is not allowed to do what a man could do better. The management is always on the lookout to see that decreased cost is attained by economy of materials used or greater output, rather than at the expense of the wages of efficient employees.

The success of the labor system of the John B. Stetson Company is a difficult matter to put in definite terms, but the superficial evidences can be pointed out. The industrial progress of the company shows that the system pays in a financial way, while the prosperity and happiness of the employees, the freedom in the entire history of the business from any serious disagreement are evidences of the general satisfaction of the employees with the system.

ALBERT T. FREEMAN.

Philadelphia.