

THE SO-CALLED PROFIT SHARING SYSTEM IN THE FORD PLANT

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It is quite probable that most of you have a pretty full and complete conception of what the Ford Motor Company has been trying to accomplish in a coöperative way with its employes in the last few years.

However, so much has appeared in print that is without foundation and so many comments and criticisms have been aired through various avenues, that possibly it would be well to give you, by way of preface to an exact explanation of just what we are trying to do and have accomplished, a little history in connection with the company, which may perhaps indicate the trend of things and the conclusions which led up to the inauguration of the so-called profit sharing plan, upon January 12, 1914.

There has always been a prevailing impression, in some quarters, that the so-called profit sharing plan was more or less of a spasmodic thing. It has been said that it was the result of a dare or challenge made in an off-hand fashion by one of the officers of the company and accepted by the executives, and for this reason would ask you to bear with me while I go into a little explanation of things which may not directly concern the work itself that I have been asked to explain.

The Ford Motor Company was incorporated on the sixteenth day of June, 1903, under the laws of the state of Michigan, with an authorized capital of \$100,000. There was actually paid in of this amount \$28,000.

Some years later the capital was increased from a substantial surplus to \$2,000,000 and has remained at this figure ever since.

A little while since the company laid plans to increase the capitalization to \$200,000,000 but under the laws of the state of Michigan this amount exceeds the maximum fixed by law, and the plan was defeated, so that this represents the present stock capital of the company.

Eight individuals hold the entire stock issue, Mr. Ford, personally, owning $58\frac{1}{2}$ per cent of the stock.

For the year ending October 1, 1914, the company did a gross business of \$119,489,316.99. During 1915 the ending of the fiscal year was changed from September 30 to July 31 and for the ten months between October 1, 1914, and August 1, 1915, the business of the company amounted to \$121,000,000.

For at least eight years the plan of the company has been steadfastly towards standardization. A single model chassis with a very limited number of bodies have been built in large quantities with the exercise of exacting thought and care in the development of mechanism and material which were especially adapted to the product. After an exhaustive study and much experimenting, established practices were hit upon that have been improved time and again so far as the choice of material and the production of machines was concerned.

Various schemes have been employed in the handling of labor in connection with output. At the present time we are operating our shop on a day work basis—there is no piece work, premium system or individual bonus plan provided in return for the efforts or outlay of productive or non-productive labor.

We work to standard output. When we change an old operation or put into effect a new system or plan of manufacture, our engineering department draws up the work on a theoretical basis, provides the machines and submits them to the manufacturing or factory department with full data as to the operation of the machines and what the output should be from a theoretical standpoint, making due allowance for mechanical defects and human indifference, as established by experience.

Such machines as the engineering department may select are tried and tested by putting same in actual work, according to directions from the engineering department, and the human or thoroughly practical output is established after adequate test has been made, and it may be interesting to know that within the last twelve months, the human or thoroughly practical production from a factory standpoint, has revealed the fact that our theoretical or engineering ratings ran about 10 per cent low.

For instance, we recently purchased some four way drilling machines for the cylinder department. Our Engineering depart-

ment figured the output of each machine at 200 cylinders per eight-hour day, with a 5 per cent allowance for mechanical defects or handicap, and human indifference to ideal conditions. When these were put out in the shop for trial it was found that day in and day out for two weeks the machines could be run so as to produce in eight hours 210 cylinders in each machine, and therefore the shop rating was placed at 210 versus the engineering department's rating of 200.

Now, we spent a great deal of time and a great deal of thought in arriving at various figures in keeping with all of the factors that enter into any manufacturing problem so far as we knew them up to this point.

It was along in 1912 that we began to realize something of the relative value of men, mechanism and material in the threefold phase of manufacturing, so to speak, and we confess that up to this time we had believed that mechanism and material were of the larger importance and that somehow or other the human element or our men were taken care of automatically and needed little or no consideration.

During that year there were a number of things that happened that made their impression upon the minds of the executives of the company.

I recall a drop hammer operation that had gone along for a number of years at an even output, when somehow, the standard dropped off. The hammer was in good condition, the man who had operated the machine for years was on the job, but the finished output failed to appear in the old proportions that we were looking for and had the right to expect.

A superficial analysis of things brought no light, but a little talk with the operator revealed a condition of things entirely outside of business, that was responsible for our depleted production. Sickness, indebtedness, and fear and worry over things that related entirely to the home, had crept in and had put a satisfactory human unit entirely out of harmony with the things that were necessary for production.

This is the type of incident that played an important part in the conclusions that we reached.

Our first step was to reduce our working day from ten to nine

hours and to give our men an increase of about 15 per cent for nine hours over what they had received for ten.

Following this we instituted a plan for grading employes according to skill, with the idea of eliminating, as far as possible, petty discrimination, misfits, and those unsatisfactory conditions which obtain now and then, possibly through the more aggressive making their worth felt and known than men of more retiring dispositions are wont to do, or to prevent the favoritism of a foreman for an employe, overstepping the bounds of merit or consistency in any case.

The details of this scheme are not hard of comprehension but would require a somewhat lengthy explanation.

Suffice it to say that when we undertook this work we had in the shop some sixty-nine different rates of wage and were employing men at their face value in the employment department, trying them out, and if they did not fit, letting them go.

In the turn-around we established some eight different rates of wage. We classified our men into six groups, which were further subdivided into three each, and a definite wage was applied against every skill rating, so that a man might understand when he came with us just exactly to what extent his developed ability would earn and furthermore, by a very simple means, we put a check upon each individual case, so that he would not have to wait for an increment in recognition of his ability and worth through any one agency, but was automatically looked up in case his advancement did not come within an average time set for such development.

Moreover, we laid down a rule whereby a foreman might eliminate a man from his particular department but could not discharge him from the employ of the company.

If Jones, somehow or other, was a misfit in Smith's department, Smith could send Jones to our employment office where his case would be looked into impersonally. If we found that Jones, in his zeal and desire to obtain a position had done so by misrepresentation (and this occurs very often), we would question him carefully as to his ability and possibly find that in Jones we had put a tailor or tinsmith in our machine shop or heat treat department because Jones, when he stood in line at the employment office door, repeated parrot fashion what the man ahead of him said and secured a job, on the theory that we were needing machinists or help in the heat

treat department and hoping that he could somehow make good and take care of his family, even though he knew he was not fitted for that work.

Now, we have found in these cases that by giving a man a second chance and placing him where he will fit in that we apparently get better men on the second analysis than we have in the first; furthermore, we have found that in teaching a man in any department certain of our *modus operandi*, it is a great deal cheaper for us to take him from one department and transfer him to another than it is to discharge him.

However, if we find that the man is absolutely out of harmony with the work in general, belligerent and unfit, he can, with the approval of our general superintendent and general manager, be dismissed from the company's service.

It may be startling for some of you to know that in the last six months there has been but one man discharged from the Ford organization.

There were a number of other changes instituted in the old way of doing things which because of so much else to tell you I shall have to pass by. Suffice it to say that the good things and the substantial increases that come to the company through their efforts in the directions indicated gave rise to a further consideration of the human element which has resulted in our so-called profit sharing plan.

Now, I should like to impress upon you the fact that this profit sharing work was in no sense instituted as a spasmodic thing, was not designed or conceived for the sake of business expedient or advertising. We were perfectly satisfied with what each man was giving us, as far as daily return was concerned. We did not seek to advertise the car nor the company through this plan, but rather we felt that we owed it to our men at that time to give them all the help we consistently could to better their financial and their moral status, and to insure, as far as we could, a life worth while, and not merely a bare living.

It was established some time prior to this work that a man who comes out of a home well balanced, who has no fear for the necessities of life for those he is taking care of, who is not in constant dread of losing his position for reasons beyond his control, is the

most powerful economic factor that we can use in the shape of a human being.

The profit sharing plan of the Ford Motor Company gives unto every man who can use it within limitations which I shall state, in addition to his wage, a certain amount, according to his worth and what his skill and ability merit for him, to have and to use according to his individual needs for his health and happiness in youth and in old age.

Now, over against each of the eight rates of wage we have set a profit sharing rate, and the lowest total daily income that a worker receives under the profit sharing plan is \$5 a day.

This \$5 a day, or $62\frac{1}{2}$ cents an hour, is not the lowest minimum wage of the Ford worker; 34 cents is the minimum hourly wage and $28\frac{1}{2}$ cents the minimum share of profits, totaling $62\frac{1}{2}$ cents, which makes a total daily income of \$5.

There are three groups under which each employe is considered for profit sharing—these, practically, are all the rules and regulations in connection with the work.

1. All married men living with and taking good care of their families.
2. All single men, over twenty-two, of proven thrifty habits.
3. Men, under twenty-two years of age, and women, who are the sole support of some next of kin or blood relative.

It was clearly foreseen that \$5 a day in the hands of some men would work a tremendous handicap along the paths of rectitude and right living and would make of them a menace to society in general and so it was established at start that no man was to receive the money who could not use it advisedly and conservatively; also, that where a man seemed to qualify under the plan and later developed weaknesses, that it was within the province of the company to take away his share of the profits until such time as he could rehabilitate himself; nor was any man urged against his own judgment, likes or dislikes, to change his mode of living and to qualify under that plan if he did not willingly so elect.

The company organized a band of thirty men who were chosen because of their peculiar fitness for the work to act as investigators. The whole work was put into effect and supervised by the employes of the company—no outside talent or assistance was asked. We have worked out the whole scheme with Ford men.

This band of thirty men was commissioned to see each in-

dividual employe and to report as to whether, in their judgment, a man was eligible for a share in the profits. These reports were in turn reviewed by a committee and each case passed upon individually.

As a result of this work our employes were grouped as follows:

First Group

Those who were firmly established in the ways of thrift and who would carry out the spirit of the plan themselves were catalogued as one group.

Second Group

Those who had never had a chance but were willing to grasp the opportunity in the way every man should, were catalogued in the second group.

Third Group

Those who had qualified but we were in doubt about as to their strength of character to continue in the direction they had started in, were placed in the third group.

Fourth Group

And the men who did not or could not qualify were put into a fourth group.

The first group of men were never bothered except when we desired information for annual or semi-annual reports or something of that kind.

The second group were looked up as often as in the judgment of the investigation department, so called, we could help them or strengthen their purpose by kindly suggestion.

The third group were dealt with in much the same fashion, although some detailed plans had to be laid for them.

The fourth group were very carefully and thoroughly studied in the hope that we might bring them, with the others, to a realization of what we were trying to accomplish, and to modifications, changes and sometimes complete revamping of their lives and habits, in order that they might receive what the company wanted to give them.

During the first six months 69 per cent of our force qualified.

At the end of the first year about 87 per cent were on a profit sharing basis, and at the present time about 90 per cent are receiving the benefits under this plan.

Since the start we have had to establish some conditions that were not a part or parcel of this work originally. For instance, we require a man now to be a resident of the city of Detroit for at least six months before he is eligible for employment and then a man must serve six months before he is entitled to a share in the profits,—in other words, payment of the profits start, provided he qualifies, six months after he enters the employ of the company.

At start every man who qualified received his share of the profits as of January 12, 1914, whether or not his individual case was investigated within the month of January or February or March. It so happened that it took us about three months to go over the whole force at the start and there was quite a substantial accumulation of moneys paid to a number of the men who were with us on January 12, but who could not really benefit until March.

The profits are paid to each employe with his wages in his pay envelope every two weeks. He is not influenced or coerced to spend his money for any one especial thing. The policy of the company is **not** to sell its men anything or influence them to buy anything—with the exception of Ford cars.

Our legal department has been enlarged so that men may come for counsel and suggestion as to ways and means for employing professional help.

As a part and parcel of the legal department also, we have a committee that makes appraisals of property for employes. A man who has picked out a home and gotten a price upon it, may submit the facts to our legal department, and without charge get from them an idea as to the worth of the property in connection with the price asked, also a general report as to the worth of the house, from the standpoint of construction, finishing and equipment.

We are also doing, in connection with the investigation work, something that is of great benefit both to the men and to the company.

Every morning there is turned over from the time department to our investigation staff a list of the absentees of the day previous, which is carefully looked up. If a man is in trouble he gets help; if a man has been wasting his time and himself, he is reminded of

the fact quite forcibly, and is made to feel that to hold his position he must realize the necessity of coöperation.

This little scheme, which is merely eternal vigilance, has cut the number of our daily absentees from 10 per cent to less than one-half of 1 per cent, exclusive of the times when epidemics of grippe, cold, and other human ills prevail, and then it is increased by just the proportion that our men bear to the number afflicted.

It has been no easy task to add to the number of men we originally had, twenty more of the same type and calibre to act as investigators as our forces grew.

Two years ago we were employing some thirteen thousand men; today we have some twenty-four thousand, but we have gained rather than lost in the kind of men and in the spirit and energy shown, as far as this force is concerned.

At the present time we have divided the whole number so that those especially gifted in cases of domestic infelicity might tackle jobs of this type; those who have evidenced unusual skill in handling men with criminal records, are detailed to such cases, and so on.

As you probably know, of necessity rather than choice, a large part of our working force is made up of non-English-speaking men.

It was utterly impossible to reach these men with an explanation of our work through the medium of interpreters, and besides, we found a mercenary unwillingness, if you please, on the part of sophisticated fellow countrymen to aid us in helping this great army of men, which comprised 50 to 60 per cent of the entire number of Ford employes.

We have actually found in Detroit petty empires existing. For instance, we know it to be true that when a group of Roumanians, we will say, arrive in New York, in some way or other they are shipped to Detroit and the knowledge of their coming imparted to someone in our city, who meets them at the station and who confiscates the party, so to speak, persuades them to live in quarters selected for them, to buy their merchandise in markets other than their own choosing and to live unto themselves and apart from the wholesome environment of the city, so that the instigators of all this may benefit through rentals and large profits on food, wearing apparel, etc.

Of course, it is to the interest of such men that these foreigners shall know nothing of the English language, of American ways and

customs, or of local values, as these are things which would liberate them from the bondage (and it is nothing more or less) under which they have unconsciously been placed.

Now, in facing this problem we decided that the only way to work out the things that we wanted to do was to put these men in position to understand directly from us all what we wanted them to know.

You may know, or at least have heard about, the Roberts' system of teaching the English language. It is somewhat of a modification of the so-called Burlitz plan.

We sought out Dr. Roberts—he came to Detroit, and there was organized the plan for giving all non-English-speaking employes a good basic knowledge of the English language through this system.

At the present time we have enrolled in our shop some 1,500, who are taught by volunteer teachers,—foremen, sub-foremen and graduates of the school, who receive in six or eight months, not a lot of grammar or mathematics, or geography, but the ground work of the English language, which enables them to read, write, speak and understand our tongue.

Perhaps this, of all the things that we have done, has been the most beneficial in bringing about the larger results that have been attained, and we know, from the way this work of ours has been extended in our city and through the land that it is perhaps the wisest course that any employer of labor can take to sift and to solve many of the problems that daily confront us.

The fact that in this country of ours we are employing large bodies of men and that for the ordinary task particularly, foreigners have to be employed in order to get the work done would, it seems to me, urge a similar action on the part of other employers of labor.

We have lately been gratified by the action taken by the department of justice. We finish up our course by trying to give to our men some definite conception of law and order to fit them for citizenship, and expend no little effort in trying to show each man the advisability of taking out his naturalization papers.

The department of justice in recognizing this work has arranged through the local federal courts, to accept the Ford diploma in lieu of final examination, other conditions in each individual case being satisfactory.

I have neglected to say what happens to a man who we believe is living unworthily as a profit sharer.

In the first place, if a man is wasting his substance and we feel that the share of the profits is a menace rather than a benefit to him, we take away the share of profits and continue him as an employe, giving him six months in which to rehabilitate himself, so to speak, allowing his profits to accrue during this term.

If at the end of 30 days we find the man's mental attitude to have changed and he requalifies, we give him back his share of profits. If it takes him 60 days he gets back 75 per cent, and 25 per cent is paid into a fund. If a man delays this for 90 days and then comes back he gets 60 per cent; at the end of four months 40 per cent; at the end of five months 25 per cent, and if at the end of six months he has not found the folly of his ways, he is eliminated as an employe of the Ford Motor Company.

The percentage withheld, whatever it be, is used for charitable purposes, within or without the company, the object of this being to prove to men that the company does not in any way want to benefit materially through their loss or shortcomings.

The striking thing about this whole plan, when it is understood, is the simplicity of it all. There is absolutely nothing new or unusual in the way in which it is working or in the policy and layout. We are simply demonstrating over and over again the absolute truth of that ancient adage known as The Golden Rule.

We have learned to appreciate men as men, and to forget the discrimination of color, race, country, religion, paternal orders and everything else outside of human qualities and energy.

In our plan there was never a measure made as to what might result in so far as increased production and better conditions to the company were concerned, nevertheless there have been such and they are free will offerings, and we want to tell you, in a general way, what the men have done for the company.

In the first place, our men have increased in physical attributes. Do you know that one of the things that we have to contend with most is to keep men from doing too much? Whereas three years ago, we, of the manufacturing department, used to be able to use the phrase "hurry up" in forty or fifty languages or dialects, at the present time this expression is rarely, if ever, heard.

In our motor department there has been a gradual voluntary

increase of production (the general layout and operations being practically the same as before with the same number of men), of from 6,125 motors in a 9-hour day to 7,200 in an 8-hour day.

The assembly of radiator cores, for example, has jumped so that a unit of men, previously putting together 750 in nine hours, now assemble 1,300 in eight, and a single group in the fender department heretofore making 38 fenders in nine hours are today producing 50 in eight.

In the making of gasoline tanks 1,200 for 60 men is the output in eight hours versus 800 by 65 in nine hours.

Many of the methods and schemes used in our factory which have lately helped us so much in cutting out waste motion and lost time, are the direct results of the new spirit in the men and come to us from the rank and file of our employees.

We are finding additional capacity that is willing and always available if justly recognized and amply rewarded.

We used to hire from 40 to 60 per cent of our force each month to maintain it. In the year 1913 between 50,000 and 60,000 people passed through our employment office. In the year 1915 we employed about 7,000, of which number only 2,000 can be used in contrast with the 50,000 mentioned, because the 5,000 were for new jobs and for the enlargement of forces.

As I have previously stated, our daily absentees have decreased from 10 per cent to less than one-half of 1 per cent.

When we started our work our men had in banks, under the old order of things, out of their earnings, a saving of about \$1,000,000. At the end of the first year the savings account stood about \$3,500,000, and as of January 12, 1916, the figures show a total in excess of six million.

As I have said, good home conditions beget the qualities most desirable for productive factory labor.

On January 12, 1914, Ford employees were buying homes representing a value of three and a quarter million dollars; at the end of the first year this figure had grown to nearly nine million dollars and upon January 12, 1916, we found the valuations of homes being purchased by Ford men in excess of twenty million.

We were fearful lest this plan of ours might possibly encourage extravagance and also because of our endeavors to better the quality and kind of homes that we might have increased the rentals and

household expenses. It was extremely gratifying therefore, at the end of the first year to find that the amount of monthly rentals paid had increased less than 5 per cent, although approximately 13,000 Ford families had moved to better their surroundings and to gain more of comfort and health, of which 5,000 were classed as exceptionally poor.

A map has been prepared of the city which we have divided into districts, each district characterized by its physical environment and the kind of inhabitants. This has been so maintained through the directory we have, as to form most convincing proof of the whole-souled response made by our men in the direction of our aims and desires. I would like you to know that one of the greatest crimes a man of the Ford organization can commit is not to keep us posted as to change of address.

You may be curious to know what our policy is with regard to ex-convicts, men who have lost an eye, an arm, speech, hearing, or both, and other human derelicts that perhaps you have read of our having employed.

We have, for example, set aside 1 per cent of all the positions we have for men whom we believe want a second chance in life, of the criminal type, with or without prison records. We have also found work that men past middle life can do; we have also positions for men without an arm, or who have lost a leg. Again, we have some 20 deaf and dumb operators—the quickest and brightest group of 20 that we have anywhere in the shop.

Now, there is in this, as we have found, a twofold result:

We are helping a man, who with the proper kind of encouragement is working out his own salvation and helping us with our problems, and in some cases much more intelligently than men in the average walks of life, and in the second place, we are discouraging the kind of experience that the man is trying to shake off, in others, and are ridding the community, perhaps in small part, of the tremendous load that is being carried in caring for men of this type in the county, state and municipal institutions.

What is here said may be taken at a considerable discount but it would afford us much gratification and pleasure if as many as are interested, either in improving factory conditions, or bettering the standing of our fellow men, or best of all perhaps, getting a different viewpoint of life for yourself and much of personal enlight-

enment, if you would come to Detroit and see our work at first hand.

We should be very glad to have you and extend you a cordial welcome at any time this may be possible.

I know that too often we face things that we want to do from the angle of fear; fear that we are going to disrupt things that are running quietly along; fear that in aiming at a desired goal we may run foul of things that will perplex and hinder and overshadow the good that we want to do.

As I told you at the start, the Ford Motor Company have done all this work with their own men; there has been no theory used; no mapping out of various courses that we have pursued; we have employed no minds trained in philanthropy or sociology, or any other knowledge gained through books or university courses. We have rather fed our men, so far as we could, with fresh human encouragement, in a sane, sound, man-fashion way and we believe that no work of this kind will ever be successful if it is wished on some employe to accomplish, without it has back of it and around it the spirit and touch of the personal dynamic that guides the business and is responsible for it.