

The Cost of Hiring and Firing Men

Every Discovery That the Interests of Capital and Labor are Identical Means so Much More Harmony, and so Much More Promise That the Great Economic Battle of the Present Day may Reach a Peaceful Settlement

By J. W. MACMILLA.

It is only within the last few years that the discovery has been made that the renewal of the labor supply in industries is an expensive thing.

Students of social conditions had seen plainly enough that the seasonal occupations were costly affairs for any community. The intervals of activity and idleness of the casual laborer were regarded as one of the prime problems of society. But the cost was assessed altogether upon either the laborer himself or society at large. It was not recognized that the employer of the intermittent labor was a loser as well. Much less was it recognized that the constant inflow and outlet of employees in all occupations was a great and largely needless drain upon the financial resources of a factory or shop. Many a denunciation of the employer's heedlessness of human welfare was based upon the belief that the care and replacing of machinery cost something, while the care and replacing of men cost nothing. It was supposed that the worker might be sucked dry, worn out, smashed to bits, kicked out, thrown on the scrap heap, without any interference with profits.

The employer also took the same view. When there was a crowd of unemployed at his gate he held that the labor conditions were favorable. Could he not then at once fire any man and immediately hire another in his place? The machine was geared to a certain speed, and the activity and capacity of the man who tended it was accordingly guaranteed. One large employer of labor in Philadelphia was quoted as saying, "We are not interested in problems of personnel. We have a lot of work; but there are always more people to do it than there is work; and if those we have do not wish to work under our conditions, they can go, and we will go out and get others."

THE DISCOVERY.

The discovery appears to date from a study of employment problems made by Magnus W. Alexander of the General Electric Company of the U.S.A., made in 1913. In that the Ford Motor Company hired 54,000 men to keep 13,000 jobs filled. (That was before the men began to get five dollars for an eight-hour day). In twelve factories making machines and metal products, in that same year, whose labor force increased during the year from 37,274 to 43,971, there were hired 42,571 men. That is a labor turnover of 100 per cent. After a careful study of the different elements of cost in this process of replacing labor Mr. Alexander came to the conclusion that the average cost of hiring and firing a man was between \$35 and \$40.

A similar scrutiny of the same process was made during the following year by W. A. Grieves of the Jeffery Manufacturing Company of Columbus, Ohio. He found that twenty representative factories whom he interrogated took on 69,000 new men during that year to keep a labor force of 44,000 intact. His estimate of the average cost of hiring and firing a man was almost the same as that of Mr. Alexander. He made it \$40.

Other executives of big businesses have expressed the opinion that these figures are rather under than over the average for the entire United States. Some do not hesitate to put the average cost of hiring and firing a man at as high a figure as \$100. And they say that the average labor turnover for the whole country is not less than 200 per cent.

Pursuing the subject a little farther Mr. Alexander came to the conclusion that more than half of the new 42,571 employees hired by the twelve factories he investigated had been needlessly hired, at an expense to the factories of \$831,000. Mr. Grieves, for the twenty factories of his survey, placed the unnecessary cost at \$1,760,000.

EMPLOYMENT MANAGERS.

These and similar disclosures made a great impression on the more intelligent manufacturers of the United States. Doubtless the recent scarcity of labor has heightened that impression. One consequence was a gathering in Philadelphia several weeks ago of several hundred "employment managers." This is the new official which the revelations of Messrs. Alexander and Grieves had called into being.

Formerly, the duty of hiring and firing men had been left to the foremen of departments. It was at

once seen that foremen are not the right officials for this duty. For foremen are a class of superior workmen whose capacity lies in their technical knowledge and their ability to maintain the output. They are not experts in employment matters. Moreover, their legitimate duties in their department are seriously interfered with by their time being taken up in engaging and dismissing the men under them. One executive who had adopted the new plan said recently:

"One of the first benefits we derived was in freeing the foremen from the daily necessity of looking over men they needed at the factory door. Under the old system the first hour of each morning and the most critical hour from a departmental standpoint was signalized by the absence of the foremen from their departments. The new system automatically changed this, and foremen were free to supervise work in their own departments, rather than lose hours daily in interviewing applicants for work."

Thus each big industry is getting to have its own employment bureau, an expert and efficient department in charge of this one important function, and resulting in the saving of many dollars in the course of the year. So far as these new bureaus have succeeded in organizing their work they have laid down three lines upon which they work, each of which means something for human welfare as well as for profits.

1.—First, the securing of labor from recognized labor markets, rather than from the waiting crowd at the gate. This is a business-like and rational method which stands in sharp contrast with the old unregulated, hit-or-miss, fashion of former times. It is bound to produce employment agencies of a better class than have been common, and may lead to a better relation between capital and labor through a new use being found for the trades unions.

THE ROUND PEG IN THE SQUARE HOLE.

2.—Then comes the training of men and fitting them to their jobs. When the foremen did the hiring and firing the laborer was tried in only one department. If he proved a round peg in a square hole there, out he went. Under the new system he is apt to get a second chance in another department, where he may make good. Under the new system the foreman has no power to discharge. He refers the unsatisfactory workman back to the employment bureau with a statement of his reasons for considering him unsuited to his department. The employment manager then studies his case, with a view to saving the forty dollars or more which the firm stands to lose by the man's discharge, tries him out in some other place, and only fires him when it has become plain that he is hopeless.

3.—The most important of all the functions of the employment bureau is the third, which consists in fitting the jobs to the men. The factory is as human as its staff, and is as likely to require consideration and mending. Thus has arisen what has been called "the new profession of handling men." For it has been discovered that the high labor turnover is not exclusively due to the discharge of incompetent men. It is also due to the voluntary leaving of competent ones. Thus it has come to be recognized as good business not to allow any man to leave without an inquiry into his reasons for leaving. A common device is to make a rule that the signature of the employment manager must be secured before he draws his last pay. This provides for a face-to-face interview between the employment manager and the man who is leaving. One of the members of the recent conference in Philadelphia stated his experience thus:

"When men quit or are discharged they have no reason for withholding information. Complaints are heard of nagging foremen, lost time in waiting for work, and other complaints bearing on shop efficiency. These are investigated, and if the fault is with us it is remedied."

THE WEAKNESS OF THE FOREMAN.

"These complaints bring to light the weaknesses of foremen. One of our best foremen had always a 'chip on his shoulder,' and approached his men with that attitude. He caused a great deal of friction before the fault was discovered. A talk with our superintendent convinced him that while that attitude may have been all right ten years ago, it can't be done—not now."

"Another case: a man quit, and on being asked for reasons stated that he had to lose too much time waiting for one indispensable tool, and for material for his work. Likewise was advised that his work was O.K. by one inspector, only to finish it up and have half a day's work thrown back by another inspector. An investigation proved that the man was justified; the case was settled and the man is still with us. As this man was an experienced hand it would have cost us \$100 to break in a new man. It looks as though this was a fair day's work."

While the immediate and compelling motive in this movement is the desire for a lower cost of production and consequent increased profits, it is quite plain that these employment managers and the executives who have employed them are well pleased that it means also better treatment for the working force. Every discovery that the interests of capital and labor are identical means so much more harmony, so much less strain in industrial relations, and so much more promise that the great economic battle of the present day may reach a peaceful settlement.

Book Review

The Round Table, a Quarterly Review of the Politics of the British Empire. London, and Toronto, Macmillan Company.

The June number of this ably conducted periodical has many articles of much interest at this time. The war and the war measures of all parts of the Empire, the entrance of the United States into the conflict, the past and future of Turkey, and other subjects are discussed by writers who bring much helpful information to the student of current events. Naturally the proceedings of the recent Imperial Conference are prominently treated. The writer who deals with the question makes a brave effort to find in the work of the Conference support for the special kind of Imperialism of which he and his associates have been champions. The resolutions of the Conference proposing an annual meeting of representatives are, it is stated "a valuable advance," but that they are a great disappointment to our Round Table friends is not to be concealed. "Valuable and far reaching as these changes are," says the writer "it is no use pretending that they will in themselves solve the fundamental Imperial problem. The improved system of conducting Imperial affairs will still leave in existence the essential weaknesses of the existing order. In the first place it cannot give the Dominion more than a consultative voice in Imperial and foreign policy. It cannot give them real partnership in the control In essentials the existing order will remain unchanged, for as George Washington said, 'influence is not government.'" Probably many readers will have difficulty in seeing as clearly as the English writer does "the weakness of the existing order" out of which sprang the magnificent rally of Britons everywhere when the war bugle was heard in 1914. But the Round Table, if not always convincing, is always interesting and instructive.

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Railway Nationalization and the Average Citizen. By William H. Moore. Toronto: McClelland, Goodchild & Stewart.

Mr. Moore's pamphlet "The Irresponsible Five" to which we recently referred was practically a supplement to the volume here mentioned. Canada's railway problem—the question of what shall be done with those of the great railways which cannot finance themselves and consequently are again appealing to the people of Canada for aid—is one of the most important that can engage public attention. The advocates of what is called "Nationalization" of all or nearly all the transcontinental lines are many and influential. Mr. Moore, who has long been connected with the Canadian Northern, undertakes to state the case against Nationalization and he certainly succeeds in setting forth many objections which can be urged in opposition to the policy recommended by Sir Henry Drayton and Mr. W. M. Acworth. Even those who will not agree with his conclusions will find Mr. Moore's book interesting and informing.

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Common Errors. A very useful little book bears the title "Common Errors in Speaking and Writing, and Their Correction." The author is a Canadian lady, Miss Amy Kingsland Pennington, and the publishers are The Hannis Jordan Co., of New York. Many examples are given of errors into which writers and speakers easily fall and the correct form is given. In each case the governing rule is stated. The careless writer or speaker will find the book helpful and even those who usually write correctly may learn from it how to avoid occasional errors.