

the Henry George News

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Association in Equality

by KATHERINE D. SCHLAYER

BEFORE endeavoring to explain incentive management, the Lincoln Electric Company in Cleveland, Ohio, where it originated, should be mentioned, as well as the two remarkably talented brothers, John C. and James F. Lincoln who practised the Golden Rule at all times.

John C., the elder brother, founded the company in 1885 with \$200, two helpers and his second patented invention — an electric motor. During the ensuing years he received altogether 55 patents for his inventions. The company manufactures chiefly arc-welding equipment and arc-welding electrodes. It has subsidiary plants in Canada and Australia and licensed manufacturers of its products in Brazil, Argentina and Mexico, where the incentive management plan is also carried out.

It is well to mention that John C. Lincoln, the founder, became interested in the Henry George School in New York City in 1936 and began to make financial contributions. With his support and that of other contributors, the school acquired a substantial endowment and moved into the building it now occupies at 50 East 69th Street. Then in 1947 he established the Lincoln Foundation which has made continual annual

grants for the school's support.*

James F. Lincoln entered the employ of his brother in 1907 as a salesman but became vice president and general manager in 1914. He set up an advisory board composed of elected representatives from all departments to serve as a two-way channel of information and ideas between management and workers. Out of its discussions there was developed the system of incentive management which is a revolutionary approach to human relationships in industry because it invites cooperation between workers and management and considers management to be the leader, not the boss.

At the outset the industrial organization was likened to an athletic team in which each member had a part to play and teamwork was essential. Recognizing the importance of ability in the economy, incentive management offered a means of giving opportunity to every individual so that latent abilities could develop freely.

James Lincoln, whose incentive principles attracted nationwide attention, devised a plan to develop in workers a desire to excel and cooper-

*John C. Lincoln was president of the Henry George School from 1947 until his death in 1959, still active at the age of 92.

(Continued on Page 14)

"Civilization is Cooperation"

EDITORIALIZING on a guaranteed annual income for the poor, James Reston in The New York Times of March 1st referred to George Bernard Shaw, who wrote:

"Such poverty as we have today in our great cities degrades the poor, and infects with its degradation the whole neighborhood in which they live . . . When poverty produces outbreaks of virulent infectious disease, as it always does sooner or later, the rich catch the disease and see their children die of it. When it produces crime and violence, the rich go in fear of both. When it produces bad manners and bad language, the children of the rich pick them up, no matter how carefully they are secluded . . . For though the rich end of the town can avoid living with the poor, it cannot avoid dying with the poor."

Shaw's attention was drawn to this crusade a generation ago after he had been inspired and influenced by Henry George's prophetic book, *Progress and Poverty*. George, however, after exposing the dangers of poverty, proposed a solution. He traced the cause to evils arising from unjust distribution of wealth and inequality in the ownership of land, and explained that poverty was endangered by progress itself. "This association of poverty with progress," he stated was "the great enigma"

of the times . . . "the central fact from which spring industrial, social and political difficulties, and with which statesmanship and philanthropy and education grapple in vain."

Observing that contrast between wealth and want appears as land increases in value, he warned that "monopolization by some of what nature has designed for all must always result in slavery. . . . Political liberty, when the equal right to land is denied, becomes, as population increases and invention goes on, merely the liberty to compete for employment at starvation wages." Labor cannot reap the benefits which advancing civilization brings because they are intercepted. . . . All the advantages gained by the march of progress go to the owners of land, and wages do not increase.

But Henry George was not without hope. He believed that "whatever is potent for evil may be made potent for good," and that "in loyalty to higher impulses men will give even life. . . . This force of forces . . . we may use for the strengthening and building up and ennobling of society, just as we now use physical forces that once seemed but powers of destruction. All we have to do is but to give it freedom and scope. . . . We are made for cooperation. Civilization is cooperation."

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The Henry George News, published monthly by the Henry George School of Social Science, 50 E. 69th Street, New York, N. Y. 10021, supports the following principle:

The community, by its presence and activity, gives rental value to land, therefore the rent of land belongs to the community and not to the landowners. Labor and capital, by their combined efforts, produce the goods of the community—known as wealth. This wealth belongs to the producers. Justice requires that the government, representing the community, collect the rent of land for community purposes and abolish the taxation of wealth.

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(Continued from Page 1)

ate as members of the team. He decided that recognition of abilities by contemporaries was the greatest incentive for determining individual effort and yielding satisfaction. Piece-work was not seen as an incentive in itself but was a helpful measure when combined with others. Profit sharing, another important feature, was also not considered a sufficient incentive in itself, since it does not distinguish the worker.

To get all the workers in any industrial organization to want the company to succeed, John F. Lincoln said there must be a goal that appeals to all of them as proper. *That goal is service to the public. A lower and lower price for a better and better product is such a service.* Employees have always been encouraged to buy company stock. Each year a reward bonus is given and there is a pension plan for all employees, paid for by the company, as well as paid vacations and insurance.

It is clear to employees that under this incentive policy they are working for themselves. The reward is in proportion to ability. As ability to produce increases, the reward increases in proportion to each person's contribution to the success of the company. Employees are rated three times a year by all those who have accurate knowledge of any phase of their work. Such workers quickly become interested in finding new methods of efficiency and production. They not only avoid waste and save time but also become self starters who do not need much supervision, thus reducing overhead expense.

James F. Lincoln, the last chairman of the board, died about five years ago, but indications are that the company's progress compares favorably with the decade preceding his death. An em-

ployee who began as a "blue shirt" employee 27 years ago and served on the advisory board for two years, commented on the fact that there is no labor union at Lincoln Electric:

"What could it do for the workers? All that a union could and probably would do, is to hobble the efficiency which we enjoy in our manufacturing. No electrician waits for a plumber to remove or install a piece of pipe, no mechanic stands idly by watching an electrician pulling a wire through a conduit, no foreman hesitates to pick up waste paper in fear of invoking the janitors' union's wrath. No engineer needs to sit at his desk to wait for an answer from the shop."

At the end of each year six percent is paid to stockholders as a dividend. *This is called the wages of capital.* It is based on the actual investment in the company, not on a theoretical "book value."

Seed money in an amount determined by the directors is set aside, and no other deductions are made from the profits which are divided as a bonus among the employees. The annual bonus has represented a total amount paid to the worker of from approximately 20 percent of wages and salaries a year as a minimum, to a maximum of 128 percent. All workers have the same basic wage rates as those usual in Cleveland for comparable operations. The bonus is the extra reward that can come from cooperation, skill, development of latent ability and desire to use these abilities for the best interests of those involved—consumer, worker and owner.

Obviously under this system there are no strikes. But most important is the fact that incentive management, as practiced by the Lincoln Electric Company, is the answer to Henry George's *Association in Equality*, and deserves to be made widely known, with the hope of its being adopted by many other companies.